Embracing change...

Clearwater

2007 THIRD QUARTER REPORT

Letter to Unitholders

- Trustees and Directors have commenced a strategic review process to consider alternatives available to maximize unitholder value.
- Sales increased by 13% to $90.6 million versus $79.9 million in Q3 2006.
- Net earnings of $9.3 million versus $8.5 million in Q3 2006.
- Distributable cash generated in the third quarter was $5.8 million in 2007 as compared to $10.4 million in 2006.

The results for the third quarter of 2007 demonstrated a significant improvement in profit margin over the first half of the year, however distributable cash continued to be weaker than 2006 and expectations due to:

- **Exchange fluctuations** The US dollar depreciated significantly during the quarter, negatively impacting margins by $5.1 million as compared to the rates received in the third quarter of 2006.
- **Weaker than anticipated scallop market** While the scallop market was more active in the third quarter than it had been earlier in the year, its growth was at a slower pace than anticipated.
- **Further vessel disruptions** The clam fleet experienced further vessel disruptions in the third quarter due to required maintenance on both vessels currently in operation. The impact of these disruptions will be reflected in the fourth quarter results.

In its second quarter 2007 report to unitholders, Clearwater's management had indicated that anticipated improvements in the results in the second half of the year, may be impacted by certain external factors. As indicated previously, over the course of the third quarter, Clearwater's results were impacted by all of the challenges management had identified.

"Despite the challenges in the third quarter, Clearwater was able to improve its sales margins over the first half of the year. We recognize that the current levels of inventory, specifically scallop inventory, remain high and we are evaluating our inventory management strategies to reduce inventory to more normalized levels," said Colin MacDonald, Chief Executive Officer ("CEO") of Clearwater. "We fully expect our margins and sales volumes to improve."

Clearwater's sales and gross profit year-to-date 2007 were $225.0 million and $49.9 million as compared to $231.6 million and $67.4 million, respectively, in 2006. Net earnings year-to-date 2007 were $25.1 million versus $20.5 million in 2006. A number of significant factors impacted the year-to-date 2007 results including:

- **Scallops** During the third quarter, market conditions improved over their levels in the first half of 2007, however the improvement was slower than had been anticipated. Clearwater benefited from improved catch rates allowing them to remain competitive and to offset the pricing impacts of the softer market conditions. However, due to a combination of strong catch rates and lower than anticipated sales volumes, the level of scallop inventories remain high. Clearwater is currently reviewing its inventory management strategy to manage the inventory levels with the goal of normalizing inventory levels during 2008. We expect that our sales in the fourth quarter will be comparable to 2006, due to a different sales mix.

- **Clam business** With the loss of the clam vessel, the Atlantic Pursuit, in December 2006, and the delay in upgrading the fleet in the clam division, the volume of product available for sale in our clam business has been limited to date in 2007.

  We are currently in the process of converting a vessel from our shrimp fleet into a clam vessel. The conversion is expected to cost approximately $15 million and delivery is expected in the second quarter 2008. This investment in new harvesting capacity will result in growth in sales volumes and greater harvesting efficiencies, which will serve to boost the profitability of the clam business over the next several years.

  The impact of removing this vessel from the shrimp fleet is expected to be immaterial as we expect to be able to generate comparable earnings from alternative arrangements such as leasing the quota for a royalty.

  Looking forward, clam sales volumes are expected to continue to reflect the impacts of these factors until the new clam vessel is received in 2008.

  We have communicated these disruptions in supply to our customers and we have put transition plans in place to manage the shortage of volumes expected for the balance of the year and in 2008.

- **Foreign exchange** Earnings have been impacted by cash and non-cash foreign exchange. Clearwater incurred a net cash expense of $8.9 million year-to-date in 2007 versus income of $10.2 million in 2006, a change of $19.1 million.

  In addition, the Canadian dollar strengthened by 15% against the US dollar during the year, with most of this increase occurring subsequent to July. The impact of the fluctuations significantly impacted sales and margins negatively in 2007 by $8.1 million year-to-date when current effective rates are compared to those of 2006.

  The total impact of exchange on the income statement is $17.1 million (net cash expense of $8.9 million plus the $8.2 million impact on sales). While we maintain a currency management program to mitigate the risk of exchange fluctuations, the significant devaluation of the US dollar and the strengthening of the Canadian dollar against other significant currencies such as the Euro and Sterling have impacted the results.

The Fund also announced today that the Trustees have initiated a process for identifying and considering strategic alternatives available to maximize unitholder value. In addition, in light of the strategic review, the Trustees have elected to continue distributions for the month of November.

Tom Traves, Chairman of the Trustees, speaking on behalf of the Fund, said "While the Trustees remain confident in the business and its prospects in the long term, the Trustees believe that it is appropriate to review alternatives to maximize value for our unitholders in light of Clearwater's weak financial performance over the last nine months, the ongoing challenges facing the Fund in maintaining distributions and the Canadian government's legislation to tax income trusts. Clearwater continues to be onside on all of its banking covenants and this decision was not made at the request of any of its lenders. The Trustees intend to diligently consider a range of alternatives and will be retaining appropriate advisors to assist in this process. There can be no assurance that the review process will result in a decision regarding any transaction or that it will be completed in any specific time frame."

Clearwater Fine Foods Inc. ("CFFI") has advised the Fund that it is supportive of the strategic review process being undertaken. Stan Spavold, Executive Vice President of CFFI, stated "Clearwater has and will continue to be a long term strategic investment for CFFI and we continue to believe in the long term prospects of the business. We look forward to working with the Fund and its financial advisors in reviewing options which will benefit all unitholders." CFFI holds units of the Fund and CSLP, representing a 47% interest in the Clearwater business.

Distributions (Please refer to the definitions and reconciliation section of the MD&A for the reconciliation between cash flows from operations to distributable cash.)

Clearwater has declared distributions of $23.7 million year-to-date in 2007 compared to $7.9 million in the same period of 2006. Clearwater generated $0.5 million of distributable cash year-to-date in 2007 compared to $35.1 million in the first nine months of 2006. In determining the payment of distributions Clearwater considers the financial results, on-going capital expenditure requirements, leverage and expectations regarding future earnings. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates and fuel costs.

The impact of the factors discussed above on year-to-date earnings translated into a reduction of distributable cash generated in the first nine months by $34.6 million as compared to 2006. We recognize that it will be a significant challenge to eliminate the net distributable cash shortfall position generated in the first nine months of the year. However, given that the fourth quarter is traditionally a strong quarter, assuming there will be no further additional vessel disruptions and significant negative impacts from foreign exchange, management expects the fourth quarter to improve over the third quarter of 2007. However, even with stronger results in the fourth quarter, we will payout more than 100% of our distributable cash generated in 2007. The Trustees will continue to monitor the distribution policy on a monthly basis having regard to the strategic review being conducted and take the most appropriate course of action when considering the long-term needs of the unitholders.

Sales levels of scallops, which are one of our more profitable species, experienced a decrease in revenue of 9% compared to the prior year, primarily due to lower selling prices and a different product mix. This contributed significantly to the negative variance in gross margins. While the scallop market was soft in the first half of the year, it began to gain momentum in the third quarter and we continue to expect improvements going forward for the remainder of the year.

Lobster sales year-to-date have increased by 2% compared to the prior year. Clearwater continues to realize the benefits of its' new raw lobster product and the application of technology that provides a more effective method to sort and grade our live lobster, improving margins. In addition, in January 2007, Clearwater purchased an additional offshore lobster licence and related assets, which based on recent TAC levels, should provide a return on investment in the 15–20% range and increase our lobster volumes by approximately 3%.

Clam sales, volumes and gross profits were impacted by the loss of the Atlantic Pursuit, for which an insurance claim of $4.0 million has been received and included in other income. Continued vessel disruptions resulted in higher vessel costs and lower harvest volumes in 2007. This will impact the sales volumes in the fourth quarter.

On June 25, 2007, the new clam vessel that was to have been delivered in the third quarter capsized prior to Clearwater taking possession of the vessel. In the third quarter we agreed to a cash settlement of $46 million, to cover construction costs invested by Clearwater, with the shipyard that had been constructing the vessel: $28 million of which has been collected to date with balance fully secured through letters of credit and an assignment of insurance proceeds. This accident will delay the growth we had expected to see in the clam portion of our business, which represents approximately 20% of annual sales until we are able to bring a replacement vessel into use.

Summary

In summary, Clearwater's year-to-date 2007 gross profit was significantly impacted by a soft scallop market, considerable depreciation in the US dollar, and vessel disruptions in the clam business. The efficiencies in the scallop, lobster and shrimp businesses have helped mitigate the impacts of restricted harvest capacity in the clam business and the negative impact from foreign exchange. As we move forward, we will continue to focus on areas we can control, in order to ensure we are as well positioned as possible to deliver stronger unitholder returns.

"At Clearwater, our decades of experience in the seafood industry mean we are well attuned to external variables that can have an impact on our business – and in this quarter, we experienced a number of them," said Clearwater CEO Colin MacDonald. "While our results for the third quarter show the effects of factors such as currency fluctuations and market conditions, they also demonstrate how we employ our sound business strategies to keep our focus on long-term unitholder value. In a quarter that presented Clearwater with a number of challenges, our management team was able to increase our sales and improve profitability. It is this discipline and focus on long-term results that consistently enable us to ride out these challenges, and return to our traditional levels of performance."

For an analysis of Clearwater and Clearwater Seafoods Income Fund's (the "Fund") results for the quarter, please see management's discussion and analysis included with this report.

FINANCIAL HIGHLIGHTS AND SIGNIFICANT ITEMS

KEY FINANCIAL FIGURES

CLEARWATER

($000's except unit amounts)	**13 weeks ended Sept. 29, 2007**	13 weeks ended Sept. 30, 2006	**39 weeks ended Sept. 29, 2007**	39 weeks ended Sept. 30, 2006
Sales	**$ 90,555**	$ 79,939	**$ 224,961**	$ 231,600
Net earnings	**$ 9,323**	$ 8,507	**$ 25,111**	$ 20,548
Basic and diluted net earnings per unit	**$ 0.18**	$ 0.16	**$ 0.48**	$ 0.39
Cash flows from operating activities	**$ 5,667**	$ 17,814	**$ (1,931)**	$ 39,757
Distributable cash[1]	**$ 5,793**	$ 10,362	**$ 486**	$ 35,114
Distributions paid or payable[1]	**$ 7,875**	$ 7,918	**$ 23,692**	$ 7,918
Distributions paid per unit per month	**$ 0.05**	$ 0.05	**$ 0.05**	$ 0.05
Weighted Average Units outstanding				
Limited Partnership Units	**52,648,140**	52,788,843	**52,648,140**	52,788,843
Fully diluted	**61,872,612**	56,863,003	**61,872,612**	56,848,058

THE FUND

($000's except unit amounts)	**13 weeks ended Sept. 29, 2007**	13 weeks ended Sept. 30, 2006	**39 weeks ended Sept. 29, 2007**	39 weeks ended Sept. 30, 2006
Net earnings (loss)	**$ 3,737**	$ 4,647	**$ (21,685)**	$ 12,085
Basic and diluted net earnings (loss) per unit	**$ 0.13**	$ 0.16	**$ (0.75)**	$ 0.41
Cash flows from operating activities	**$ 4,366**	$ 4,389	**$ 13,171**	$ 4,389
Distributable cash[1]	**$ 4,366**	$ 4,411	**$ 13,171**	$ 4,411
Distributions paid or payable	**$ 4,366**	$ 4,411	**$ 13,171**	$ 4,411
Weighted Average Units outstanding				
Trust Units[2]	**29,270,607**	29,407,626	**29,270,607**	29,407,626
Special Trust Units	**23,381,217**	23,381,217	**23,381,217**	23,381,217

1. Please refer to the Distributable Cash definition in the MD&A for detailed reconciliations of these amounts. The Fund receives distributions from Clearwater and in turn distributes them to its unitholders. As such, distributable cash for the Fund is equal to the distributions received and paid.
2. Clearwater's Partnership Agreement provides that as long as Clearwater Fine Foods Incorporated ("CFFI") owns more than 45% of the special trust and regular voting units of the Fund on a fully diluted basis, they have the right to appoint 4 of the 7 directors of CS ManPar Inc. CFFI currently owns 47.1% and therefore the Fund has the right to nominate the majority of the board of directors. Therefore the Fund does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Due to the limited amount of information that this would provide on the underlying operations of Clearwater, the financial highlights of Clearwater are also enclosed.

Licence value

Clearwater's fishing licences are recorded at historic cost. To understand the value of these licences you should also consider the value placed on the licences by the Fund at the time of its investment in Clearwater as follows:

In ($000's)		
Clearwater book value of licences	$	107,165
Purchase price discrepancy allocated to licences (186,314/55.32% of total)	$	336,794
Fair value estimate	$	443,959

Foreign Exchange Sensitivity

In excess of 80% of Clearwater's sales are denominated in currencies other than the Canadian dollar, whereas the majority of expenses as well as all of its cash distributions are in Canadian dollars. As a result, fluctuations may have a material impact on Clearwater's financial results and the amount of cash available for distribution to unitholders. Using 2006 actual sales as a base, a change in one penny in the foreign exchange would impact revenue and earnings by:

Currency	Change	Canadian dollar impact on revenue and margins
US dollars	One penny	$ 1,100,000
Euro	One penny	$ 781,000
Sterling	One penny	$ 89,000
Yen	One twentieth of penny	$ 1,500,000

Colin MacDonald
Chief Executive Officer
Clearwater Seafoods Limited Partnership
November 13, 2007

2007 THIRD QUARTER CONFERENCE CALL AND WEBCAST

Clearwater will review its third quarter financial results via conference call on Wednesday, November 14, 2007 at 8:00 a.m. Eastern Time (9:00 a.m. Atlantic). The call will be chaired by Colin MacDonald, Clearwater's Chief Executive Officer, and he will be joined by Robert Wight, the Chief Financial Officer. You can access the call by dialling 866-250-4877 or 416-646-3097. A replay will be available through November 21, 2007 at 877-289-8525 or 416-640-1917 using pass code 21250964 (pound key). To listen to the web cast of this event, please enter http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=2054360 in your web browser.

ABOUT CLEARWATER

Clearwater is recognized for its consistent quality, wide diversity and reliable delivery of premium seafood, including scallops, lobster, clams, coldwater shrimp, crab and groundfish.

Since its founding in 1976, Clearwater has invested in science, people, technology, resource ownership and resource management to preserve and grow its seafood resource. This commitment has allowed it to remain a leader in the global seafood market.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective November 13, 2007.

The Audit Committee and the Board have reviewed and approved the contents of this MD&A as well as the related 2007 third quarter news release.

This MD&A should be read in conjunction with the interim and annual financial statements, and the annual information form, which are available on Sedar at www.sedar.com as well as Clearwater's website, www.clearwater.ca.

Clearwater has established and maintains disclosure controls and procedures, as defined under the rules adopted by the Ontario Securities Commission in multilateral instrument 52-109, over financial reporting. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have evaluated the design of Clearwater's disclosure controls and procedures as of September 29, 2007 and have concluded that such procedures are adequate and effective to provide reasonable assurance that the material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in interim filings.

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COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates and fuel costs, that could cause actual results to differ materially from those expressed in the forward-looking statements. The Fund does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

OVERVIEW

Clearwater is the largest publicly traded shellfish company in North America and is widely recognized for its consistent quality, wide diversity, and reliable delivery of premium seafood, including scallops, lobster, clams, coldwater shrimp, crab and groundfish. Our key competitive advantages include our ownership of significant quotas in key species, our innovations in harvesting and processing technologies, and our vertical integration, which allows Clearwater to manage marketing, sales and distribution in-house. Since its founding in 1976, Clearwater has invested in science, people, technology, resource ownership and resource management to preserve and grow its seafood resource. This commitment has allowed Clearwater to remain a leader in the global seafood market.

"Clearwater's results for the third quarter and year-to-date reflect the impacts of external factors like currency fluctuations and market conditions," said CEO Colin MacDonald. "However, they also demonstrate how we employ sound business strategies to keep our focus on long-term unitholder value. In a quarter that challenged Clearwater in a number of areas, our management team provided improved sales and profitability. This discipline and focus on long-term results consistently enables us to ride out temporary challenges, and will enables us to return to our traditional levels of performance."

EXPLANATION OF YEAR-TO-DATE RESULTS

The results of operations of the Fund are entirely related to Clearwater's performance; therefore the commentary below is on the operations of Clearwater.

The statements of earnings disclosed below reflect the unaudited year-to-date earnings of Clearwater for the 39-week periods ended September 29, 2007 and September 30, 2006 in thousands of Canadian dollars. The prior year has been restated to reflect the impact of the new accounting policy for refits, adopted in fiscal 2007 and applied retroactively. Please refer to the critical accounting policies section of the MD&A for further details.

	2007	2006
Sales	**$ 224,961**	$ 231,600
Cost of goods sold	**175,106**	164,194
	49,855	67,406
	22.2%	29.1%
Administration and selling	**28,622**	27,329
(Gain) loss on disposal and other, net	**(3,727)**	2,198
Other expense (income)	**(746)**	(4,760)
Insurance claim	**(3,997)**	–
Foreign exchange income	**(20,805)**	(10,807)
Bank interest and charges	**687**	696
Interest on long-term debt	**11,205**	9,888
Depreciation and amortization	**8,628**	11,198
Reduction in foreign currency translation account	**1,790**	1,697
	21,657	37,439
Earnings before income taxes and minority interest	**28,198**	29,967
Income taxes	**(458)**	4,690
Earnings before minority interest	**28,656**	25,277
Minority interest	**3,545**	4,729
Net earnings	**$ 25,111**	$ 20,548

NET EARNINGS

Net earnings increased by $4.6 million year-to-date 2007, due primarily to the impact of foreign exchange offset by a lower gross margin and other income.

In (000's)	2007	2006	Change
Net earnings	$ 25,111	$ 20,548	$ 4,563
Explanation of changes in earnings:			
Higher unrealized foreign exchange and derivative income			29,167
Higher gain on disposal and other, net			5,925
Lower income tax expense			5,148
Higher realized foreign exchange and derivative expense			(19,169)
Lower gross profit, net of insurance claim of $3,997			(13,554)
Lower other income			(4,014)
All other			1,060
			$ 4,563

Sales to customers year-to-date by product category were as follows:

In (000's)	2007	2006	Change	%
Scallops	$ 76,015	$ 83,582	$ (7,567)	(9)%
Lobster	54,708	53,795	913	2 %
Clams	36,484	45,966	(9,482)	(21)%
Coldwater shrimp	36,093	26,046	10,047	39%
Groundfish and other	7,004	10,787	(3,783)	(35)%
Crab	14,803	5,678	9,125	161%
Hedging program	(146)	5,746	(5,892)	(103)%
	$ 224,961	$ 231,600	$ (6,639)	(3)%

Sales levels of scallops, which are one of our more profitable species, experienced a decrease in revenue of 9% compared to the prior year, primarily due to lower selling prices and a different product mix. This contributed significantly to the negative variance in gross margins. While the scallop market was soft in the first half of the year, it began to gain momentum in the third quarter and we continue to expect improvements going forward for the remainder of the year.

Lobster sales year-to-date have increased by 2% compared to the prior year. We continue to realize the benefits of our new raw lobster product and the application of technology that provides a more effective method to sort and grade our live lobster, improving margins. In addition, in January 2007, Clearwater purchased an additional offshore lobster licence and related assets, which based on recent TAC levels, should provide a return on investment in the 15–20% range and increase our lobster volumes by approximately 3%.

Clam sales, volumes and gross profits were impacted by the loss of the Atlantic Pursuit, for which an insurance claim of $4.0 million has been received and included in other income. Continued vessel disruptions have resulted in higher vessel costs and lower harvest volumes in 2007. This will impact the sales volumes in the fourth quarter. Looking forward, clam sales and volumes are expected to continue to reflect the impact of these factors until the clam fleet is updated in 2008. In order to mitigate the impact to our customers and maintain our relationships with them, we have communicated these disruptions in supply and have put plans in place to manage the shortage of volumes expected for the balance of the year and a portion of 2008.

On June 25, 2007, the new clam vessel that was to have been delivered in the third quarter capsized prior to Clearwater taking possession of the vessel. In the third quarter we agreed to a cash settlement of $46 million, to cover construction costs invested by Clearwater, with the shipyard that had been constructing the vessel: $28 million has been collected to date with the remaining balance fully secured through letters of credit and an assignment of insurance proceeds. Although disappointing, this accident will not impact the current year's distributable cash. It will however, delay the growth we had expected to see in the clam portion of our business, which represents approximately 20% of annual sales, until we are able to bring a replacement vessel into use.

We are currently in the process of converting a vessel from our shrimp fleet into a clam vessel. The conversion is expected to cost approximately $15 million and delivery is expected in the second quarter 2008. This investment in new harvesting capacity will result in growth in sales volumes and greater harvesting efficiencies which will serve to boost the profitability of the clam business over the next several years. The impact of removing this vessel from the shrimp fleet is expected to be immaterial as we expect to be able to generated comparable earnings from alternative arrangements such as leasing the quota for a royalty.

Coldwater shrimp sales were higher year-to-date in 2007 than the same period in the prior year primarily due to a 37% increase in volumes as the prior year had incurred disruptions due to a scheduled refit.

Groundfish and crab sales were both impacted by a labour dispute in Glace Bay, Nova Scotia that began in March 2006 which was resolved in the second quarter of 2007. The plant is now operating on a seasonal basis producing crab, which has translated into greater sales volumes of crab compared to the prior year. The disruption impacted groundfish sales during the dispute, but did not have a material impact on earnings as the licences were rented generating royalty income.

Foreign exchange decreased the value of sales and margins by approximately $8.2 million year-to-date in 2007 compared to the rates received in the comparable period for 2006. Higher effective rates on the Euro and Pound Sterling were offset by a lower exchange rate on the US Dollar.

	2007 year-to-date		2006 year-to-date	
Currency	**% sales**	**Rate**	% sales	Rate
US Dollars	**48.6%**	**1.092**	41.1%	1.192
Euros	**16.0%**	**1.469**	25.6%	1.427
Japanese Yen	**9.1%**	**0.010**	9.9%	0.010
UK pounds	**6.7%**	**2.175**	5.6%	2.062
Canadian dollar and other	**19.6%**		17.8%	
	100.0%		100.0%	

Subsequent to the end of the third quarter, Clearwater entered into an agreement to lease certain groundfish quota for a two year period at a cost of $2 million.

In summary, sales and gross profits were lower year-to-date as compared to the same period in 2006, primarily due to softer market conditions for scallops, clam vessel disruptions and foreign exchange. This resulted in overall gross profits that were $17.6 million lower than those reported in the comparable period in 2006.

Administration and selling costs increased by approximately $1.3 million as compared to the prior year. We have been investing and expect to continue to invest further in developing markets for our products in Asia and have incurred costs to improve our processes such as our sales management information systems. In addition, in the first nine months of 2007 we have expensed fees and costs of approximately $800,000 related to potential acquisition activities.

Gain on disposal and other, net is greater than the prior year result. The 2007 figure includes a gain of approximately $4 million on the sale of non-core fishing quotas, and an amount of approximately $350,000 related to recovery of accounts receivable previously provided for. This is offset by a write down of approximately $750,000 of equipment related to the clam business. The 2006 amount included a gain of approximately $1.2 million on the sale of non-core fishing quotas offset by a provision related to a plant previously operated in North Sydney totalling approximately $3.1 million.

Other expense (income) is lower in 2007 mainly due to lower royalties and export rebate. In the third quarter of 2007, approximately $0.7 million of the export rebate receivable was written down due to changes in the rules for the government rebate program in Argentina. As well, quota rental and royalties were lower when compared to the prior year as 2006 included the revenue related to the licence rental for the quota related to the Glace Bay plant when it was not in operation.

Other expense (income) detail: (in thousands)	2007	2006
Investment income	$ (1,087)	$ (991)
Export rebate	103	(1,271)
Quota rental and royalties	(63)	(2,082)
Other	301	(416)
	$ (746)	$ (4,760)

The insurance claim relates to one of Clearwater's clam vessels, the Atlantic Pursuit, which was damaged extensively on December 5, 2006 when it was struck by a large wave. This was an older vessel and scheduled to be retired from the fleet later in the year, however, as a result of the damage incurred, it was retired from service early. An agreement was reached with Clearwater's insurers during the first quarter and as a result a gain of approximately $4.0 million was recorded. The vessel has a nominal book value and management intends to dispose of the vessel.

Foreign exchange and derivative contracts resulted in a gain of $20.8 million year-to-date in 2007 as compared to $10.8 million in the equivalent period in 2006. The 2007 figure includes approximately $29.7 million of unrealized exchange gains. Clearwater does not account for its foreign exchange contracts as accounting hedges and therefore must record the mark-to-market value of the contracts each quarter, adjusting for non-cash impacts of foreign exchange on the outstanding contracts. From a cash perspective, the business incurred an outlay of $8.9 million of cash from foreign exchange management year-to-date in 2007 versus $10.2 million in cash receipts generated in 2006 – a change of $19.1 million. As our derivative contracts mature or are settled, gains and losses that would otherwise impact operating margins are included as foreign exchange and derivative income. Please refer to note 3 in the financial statements for a detailed listing of outstanding contracts at period end and their fair values. As of September 29, 2007, the mark-to-market valuation was a net liability of $0.5 million versus a liability of $27.0 million at December 31, 2006. Subsequent to quarter-end foreign exchange derivative contracts with a fair value as at September 29, 2007 of $9.7 million were closed out for net cash proceeds of $11.9 million.

Over the longer term, the changing Canadian dollar will continue to impact Clearwater, as approximately 80% of our sales are denominated in foreign currencies. Clearwater therefore maintains an active currency management program to provide a degree of certainty to future Canadian dollar cash flows with respect to sales.

Clearwater's foreign exchange management program, which is used to hedge our foreign exchange exposure, involves the use of foreign exchange forward contracts supplemented by the use of foreign exchange options. Income generated from forward exchange derivative contracts is recognized as realized foreign exchange and derivative income when the contract is settled. Until that time, the fluctuations are recorded as unrealized foreign exchange and derivative income. Proceeds generated from derivative option contracts are included in realized foreign exchange and derivative income when the option is written. Whether or not a derivative option contract will result in a gain or loss, depends on whether spot rates exceed contract rates at the time of maturity. To the extent that contracts are exercised, it will serve to mute or delay the impact of a fluctuating exchange rate environment on Clearwater's financial results.

Schedule of foreign exchange and derivative contract income:

In (000's)	2007	2006
Realized loss (gain)		
Foreign exchange and derivative income	$ 6,859	$ (11,268)
Other realized	2,069	1,026
	8,928	(10,242)
Unrealized (gain) loss		
Balance sheet translation	(4,785)	(7,382)
Mark-to-market on exchange derivative contracts	(21,135)	4,444
Mark-to-market on interest and currency swap contracts	(3,813)	2,373
	(29,733)	(565)
Total gain	$ (20,805)	$ (10,807)

Bank interest and interest on long-term debt increased as in 2006 $1.9 million of interest was capitalized. This was partially offset by the change in the method of accounting for an inflation indexed bond. Prior to 2007, interest expense included an estimate of the assumed inflation rate on the Icelandic bond. The estimated change in the liability associated with inflation indexing is included in foreign exchange and derivative contract expense for 2007..

Depreciation and amortization is lower compared to 2006 primarily due to a lower depreciable asset base in 2007, due in part to the write down of the North Sydney plant and equipment at the end of the second quarter of 2006.

The reduction in foreign currency translation account is a non-cash adjustment related to a reduction of Clearwater's net investment in its subsidiary in Argentina.

Income taxes have decreased compared to the prior year partially due to lower net earnings in taxable entities along with a higher amount of future tax recovery related to the clam business.

Minority interest relates to earnings from Clearwater's investment in its subsidiaries in Argentina and Newfoundland and Labrador. It was lower year-to-date in 2007 than in 2006 due to lower net earnings in these businesses.

LIQUIDITY AND CAPITAL RESOURCES

Earnings before interest, tax, depreciation and amortization (EBITDA) and leverage are not recognized measures under Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net income and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. In addition, as EBITDA and leverage are measures frequently analyzed for public companies, we have calculated the amount in order to assist readers in this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings. Please refer to the section on definitions and reconciliations for calculation of the EBITDA and leverage referred to in this document.

Capital Structure

Clearwater's capital structure includes a combination of equity and various types of long-term debt. Clearwater's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange and refinancing risk as appropriate.

Management believes that available credit will be sufficient to meet Clearwater's cash requirements. We use leverage, in particular senior revolving and term debt, to lower our cost of capital. Clearwater maintains some flexibility in its capital structure, as the amount of capital available to Clearwater is a function of earnings that can be impacted by known and unknown risks, uncertainties, and other factors outside management's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs, as well as capital expenditures and distributions paid. We maintain flexibility in our capital structure by regularly reviewing forecasts of future results and making any required changes on a timely basis. These changes can include early repayment of debt, repurchasing units, issuing new debt or equity, extending the term of existing debt, selling assets to repay debt and if required, limiting distributions paid. Refinancing risk is reduced by staggering the maturities of debt instruments and a policy whereby maturing debt agreements are revisited and updated or replaced as required in advance of maturity dates.

As at September 29, 2007, the Fund owns 55.32% (December 31, 2006 – 55.71%) of the outstanding partnership units of Clearwater. However, as Clearwater Fine Foods Incorporated ("CFFI") maintained the right to nominate the majority of the board of directors of Clearwater at the time of the initial investment by the Fund, the assets and liabilities at acquisition have been recorded using the book values as recorded by CFFI.

As at September 29, 2007, the Fund and Clearwater had similar equity/convertible debt structures as illustrated in the table below:

	Fund	Clearwater
Units		
Publicly Listed Trust Units	28,949,895	
Class A Partnership Units		28,949,895
Units Held solely by Clearwater Fine Foods Incorporated		
Special Trust Units	23,381,217	
Class B Partnership Units		23,381,217
	52,331,112	52,331,112
Convertible debentures/Class C Partnership Units		
Convertible debentures	$ 43,005,000	
Class C Partnership Units		$ 43,005,000
Convertible debentures/Class D Partnership Units		
Convertible debentures	$ 44,463,000	
Class D Partnership Units		$ 44,463,000

Clearwater also has other debt, and as a result its total capital structure is as follows as of September 29, 2007 and December 31, 2006:

In ($000's)	2007	2006
a. Equity – Partnership units	$ 171,942	$ 173,079
b. Convertible debt, Class C units, due in 2010	43,005	46,430
c. Convertible debt, Class D units, due in 2014	44,463	–
d. Non-amortizing debt		
Term notes, due in 2008 – 2013	82,269	86,308
Bond payable, due in 2010	50,127	46,795
Term loan, due in 2091	3,500	3,500
	135,896	136,603
e. Amortizing debt		
Marine mortgage	4,771	5,584
Other loans	1,544	1,643
	6,315	7,227
Total capital	$ 401,621	$ 363,339

a. Equity consists of Class A Limited Partnership units, Class B General Partnership units, Class C Partnership units and Class D Partnership units. Both Class A and Class B units are equally eligible for any distributions that are declared by Clearwater. The Class B Partnership units were issued concurrent with **Special Trust Units** that were issued by the Fund solely to provide voting rights to Clearwater Class B Partnership units held by CFFI.

b. Convertible debt – In June 2004, 4,081,633 **Class C units** were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $50 million of convertible debentures ($45 million in principal outstanding as at September 29, 2007 when accounting for buybacks) to fund capital projects. The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units, $882,000 on issuance, was classified as equity and the remaining portion of the units was classified as debt. As noted previously, Clearwater has repurchased some of this debt such that at September 29, 2007, the face value of the debt outstanding was $45 million, $43 million net of financing charges and option to convert (December 31, 2006 – $47 million, net of option to convert, with no netting against financing charges). The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7%, and are due on December 31, 2010. They are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31. The debentures are not redeemable before December 31, 2007. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

c. Convertible debt – On March 9, 2007, 7,372,881 and on April 10, 2007, an additional 769,831 **Class D units** were issued for proceeds of $48 million. Class D units were issued by Clearwater (indirectly) to the Fund concurrently with the issue by the Fund of $48 million of convertible debentures, $44 million net of financing charges and option to convert, to fund potential acquisitions. The Class D units are non-voting, redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the convertible debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to (indirectly) fund the ongoing interest payments on the convertible debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units, $1,579,000, has been classified as equity and the remaining portion of the units has been classified as debt. The **convertible debentures** issued by the Fund are unsecured and subordinated, bear interest at 7.25%, and are due on March 31, 2014. They are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30. The debentures are not redeemable before March 31, 2010. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash.

d. Non-amortizing debt – In addition to the convertible debentures and Class C and D Partnership units, Clearwater has additional primary debt facilities. These facilities include approximately $82 million in **five and ten year notes** in Canadian and U.S. dollars from a syndicate of five institutional lenders (with US $20 million available to be drawn at market rates until late 2007) and 2,460 million ISK in **five-year bonds**. The 2,460 million ISK bonds yield 6.7%, are adjusted for changes in the Icelandic consumer price index (CPI), mature in 2010 and are unsecured. These bonds have been fully swapped into Canadian, U.S., Euro and Pound Sterling debt with floating interest rates. The bond is recorded in long-term debt at $39.1 million along with $5.6 million of accrued interest and $5.5 million of accrued CPI, both of which are completely offset by swap contracts. The mark-to-market adjustment related to the bond as of September 29, 2007 is an asset of $0.6 million.

   During the second quarter, Clearwater renegotiated the terms and maturity of its $60 million **revolving term debt facility** from a syndicate of banks. This facility was not drawn upon at September 29, 2007. This facility, which matures and is renewable in May 2009 is part of a master netting agreement and was in a cash position of $14 million as at September 29, 2007.

As part of its strategy to manage its capital structure, the Fund filed a normal course issuer bid by which it can acquire up to $4.8 million principal amount of 2007 convertible debentures and $4.5 million principal amount of 2004 convertible debentures in the 12-month period ending August 2008. This is accompanied by a similar agreement by Clearwater to repurchase Class C Partnership units. Under a previously filed normal course issuer bid that expired August 2007, a total of $5 million of the Class C units have been repurchased ($3 million in fiscal 2006, $1 million in the first quarter of 2007, and $1 million in the third quarter of 2007) and cancelled and the proceeds were used to repurchase and cancel an equivalent amount of convertible debentures.

The Board of Trustees believes that repurchase of the Fund's units, from time to time, may represent an attractive opportunity to realize additional unitholder value and that the purchase of units would be an appropriate and desirable use of the Fund's available resources. Therefore, on January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units, which amount represents less than 10% of the public float. Any such purchases of units would be made during the 12-month period commencing on January 24, 2007, and in accordance with the requirements of the TSX. The units will be purchased by the Fund for cancellation and will be accompanied by a similar repurchase of units by Clearwater. Purchases will be made at market prices through the facilities of the TSX, and will be funded out of the Fund's available cash and through borrowings under its existing credit facility (subject to receiving the approval of its lenders). Year-to-date, the Fund repurchased and cancelled 457,900 units at a cost of approximately $2,235,000. The transactions resulted in decreasing the unit value outstanding by $4,647,000 and increasing contributed surplus by $2,412,000.

Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. These covenants include, but are not limited to, leverage ratios against earnings (excluding most significant non-cash items and non-recurring items from earnings) and fixed charge ratios that can limit the amount of distributions paid and the amount of debt outstanding. In addition, the debt related to these facilities takes priority over the securities in Clearwater held by the Fund. Due to the items previously noted that impacted year-to-date results in 2007, earnings were unusually low, and in turn, leverage has increased as at September 29, 2007, when compared to December 31, 2006. Clearwater will continue to monitor and manage debt levels based on business needs and opportunities.

CASH FLOWS

Summarized cash flow information in (000's)

For the 13 and 39 week periods ending September 29, 2007 and September 30, 2006. See statements of cash flows for more detail.

	13 weeks ended 2007	13 weeks ended 2006	**39 weeks ended 2007**	39 weeks ended 2006
Cash flow from operations				
(before change in working capital)	**$ 7,860**	$ 13,249	**$ 6,255**	$ 41,880
Investing, Financing, and change in				
non-cash working capital				
Change in non-cash working capital	**(2,193)**	4,565	**(8,186)**	(2,123)
Other investing activities	**129**	(638)	**243**	266
Capital expenditures				
(net of proceeds on sale)	**4,092**	(980)	**(5,683)**	(15,906)
Distributions to unitholders	**(7,875)**	(7,918)	**(23,692)**	(7,918)
Distributions to minority partner	**(502)**	(2,133)	**(3,490)**	(4,551)
Purchase of units	**(1,147)**	–	**(2,235)**	–
Other	**3**	761	**(363)**	857
	(7,493)	(6,343)	**(43,406)**	(29,375)
Decrease (Increase) in				
long-term debt, net of cash	**$ 367**	$ 6,906	**$ (37,151)**	$ 12,505

During 2007, funded debt (net of cash balances) has increased by approximately $37 million.

Cash flows generated by Clearwater along with its banking facilities are used to fund current operations, seasonal working capital demands, capital expenditures, other commitments and distributions to unitholders. Due to the seasonality in Clearwater's business, sales and gross profit are typically higher in the second half of the calendar year than in the first half of the year. Inventories reach a seasonal peak in the summer due to better weather for harvesting, resulting in seasonal demands on working capital. Due to the market conditions, the level of scallop inventory continues to be higher than normal, as a result a significant portion of working capital is included in the inventory value. Management recognizes the significant level of scallop inventory and through its inventory management strategy, plan to reduce inventory to more normalized levels in 2008.

CAPITAL EXPENDITURES

Capital expenditures were $11.5 million year-to-date (2006 – $17.7 million). Of this amount, $9.2 million (2006 – $16.5 million) was considered return on investment (ROI) capital and $2.3 million (2006 – $1.2 million) was maintenance capital. ROI and maintenance capital are tracked on a project-by-project basis; there are no ROI projects as of September 29, 2007. Significant expenditures that are expected to have an average return in excess of average cost of capital are classified as ROI, and expenditures that have less than the average cost of capital are classified as maintenance. Maintenance capital has historically been approximately $3 million annually.

During the third quarter, Clearwater reached an agreement with the shipyard that had been constructing the new clam vessel that capsized in June 2007, for a cash settlement of $46 million of which $28 million has been collected to date. The balance is fully secured through letters of credit and an assignment of insurance proceeds. We are currently in the process of converting a vessel from our shrimp fleet into a clam vessel. The conversion is expected to cost approximately $15 million and delivery is expected in the second quarter 2008. This investment in new harvesting capacity will result in growth in sales volumes and greater harvesting efficiencies, which will serve to boost the profitability of the clam business over the next several years. The impact of removing this vessel from the shrimp business is expected to be immaterial as we expect to be able to generate comparable amounts of earnings from alternative arrangements such as leasing the quota for a royalty.

Clearwater is reviewing its options with regards to the vessel status in Argentina and plans to perform a major refit on one of its vessels, increasing the life of the vessel and delaying the need to replace a vessel by approximately two years.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

(Please refer to the definitions and reconciliation section of the MD&A for the reconciliation between cash flows from operations to distributable cash.)

Distributable cash does not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and therefore is unlikely to be comparable to similar measures presented by other companies. This provides guidance to readers seeking to assess the sustainability of distributions by comparing distributions paid to the amount of distributable cash. As distributable cash is a measure frequently analyzed for income trusts, we have calculated the amount in order to assist readers in this review. However, distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows, and management does not use this measure as a performance measure of earnings. Management uses the distributable cash as a measure of cash generated by Clearwater available for distribution to unitholders without eroding Clearwater's production capacity.

In the third quarter of 2007, Clearwater generated $5.8 million of distributable cash (2006 – $10.4 million). Year-to-date, Clearwater generated $0.5 million of distributable cash (2006 – $35.1 million) and declared distributions of $23.7 million (2006 – $7.9 million). Please refer to the distributable cash reconciliation included in this document for detailed reconciliations of these amounts.

As discussed above, the more significant factors that impacted earnings in 2007 year-to-date include soft scallop market conditions, clam vessel disruptions and foreign exchange. The impact of these factors reduced distributable cash generated year-to-date in 2007 by $34.6 million as compared to the same period in 2006.

When determining the level of distribution payment, the Trustees consider the financial results, on-going capital expenditure requirements, leverage and expectations regarding future earnings. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates and fuel costs. An update on those factors is as follows.

- Current financial results – 2007 to date has been impacted by market conditions, clam vessel disruptions and foreign exchange, with these factors reducing distributable cash generated year-to-date by $34.5 million as compared to the equivalent period in 2006.

  As of the third quarter of 2007, EBITDA and distributable cash, excluding the impact of non-cash foreign exchange, have declined compared to 2006 with the rolling four quarters EBITDA and distributable cash being $33 million and $7 million respectively as compared to $65 million and $42 million for 2006.

- Capital expenditures – Clearwater currently has one significant capital project in process; the conversion of a vessel for its clam fleet. This will cost approximately $15 million and be completed in the second quarter of 2008.

  Clearwater has spent approximately $85 million on its fleet in the past five years. This has allowed it to implement changes to improve profitability through the use of new technology and a younger fleet. For greater details on Clearwater's strategy for capital replacement, a 5-year history of capital expenditures as well as information on Clearwater's strategy in maintaining its assets, please refer to the Capability to Deliver Results section in the 2006 annual report available on our website at www.clearwater.ca.

- Leverage – Due to the items previously noted that impacted 2007's results year-to-date and higher debt levels with the new convertible debenture issue, leverage has increased compared to December 31, 2006. However, it is important to note that Clearwater's lending covenants exclude large non-cash items from EBITDA calculations and certain subordinated debt. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities. Please see the Definitions and Reconciliations section at the end of this report for the calculation of leverage.

- Expectations regarding future earnings – Management expects the fourth quarter to continue to show improvement compared to the first half of the year, as the market for scallops continues to strengthen and through the realization of exchange gains on currency contracts.

The Fund also announced today that the Trustees have initiated a process for identifying and considering strategic alternatives available to maximize unitholder value. In addition, in light of the strategic review, the Trustees have elected to continue distributions for the month of November.

Tom Traves, Chairman of the Trustees, speaking on behalf of the Fund, said "While the Trustees remain confident in the business and its prospects in the long term, the Trustees believe that it is appropriate to review alternatives to maximize value for our unitholders in light of Clearwater's weak financial performance over the last nine months, the ongoing challenges facing the Fund in maintaining distributions and the Canadian government's legislation to tax income trusts. Clearwater continues to be onside on all of its banking covenants and this decision was not made at the request of any of its lenders. The Trustees intend to diligently consider a range of alternatives and will be retaining appropriate advisors to assist in this process. There can be no assurance that the review process will result in a decision regarding any transaction or that it will be completed in any specific time frame."

Clearwater Fine Foods Inc. ("CFFI") has advised The Fund that it is supportive of the strategic review process being undertaken. Stan Spavold, Executive Vice President of CFFI, stated "Clearwater has and will continue to be a long term strategic investment for CFFI and we continue to believe in the long term prospects of the business. We look forward to working with The Fund and its financial advisors in reviewing options which will benefit all unitholders." CFFI holds units of the Fund and CSLP, representing a 47% interest in the Clearwater business.

Clearwater has a large depreciable asset base and some of the business units are incorporated. As a result, not all of our distributions are taxable to unitholders. The following table summarizes the history of the taxation of distributions.

Taxation year	Return of capital	Dividend income	Other income
2002	62%	4%	34%
2003	45%	20%	35%
2004	62%	3%	35%
2005	52%	–	48%
2006	32%	–	68%
2007	25%	75%	–

Summary of distributable cash and other key figures

($000's)	**13 weeks ended Sept. 29, 2007**	39 weeks ended Sept. 29, 2007	**year ended Dec 31, 2006**	year ended Dec 31, 2005
Cash flow from operations	**$ 5,667**	$ (1,931)	**$ 44,648**	$ 36,142
Net earnings	**$ 9,323**	$ 25,111	**$ 1,463**	$ 19,873
Distributions paid or payable	**$ 7,875**	$ 23,692	**$ 15,837**	$ 27,367
Distributable cash	**$ 5,793**	$ 486	**$ 42,351**	$ 27,205
(Shortfall) excess of distributable cash over distributions paid or payable	**$ (2,082)**	$ (23,206)	**$ 26,514**	$ (162)
(Shortfall) excess of cash flows from operating activities over distributions paid	**(2,208)**	(25,623)	**28,811**	8,775
(Shortfall) excess of net income over cash distributions paid	**3,376**	1,419	**(14,374)**	(7,494)

Cash on hand was used to fund the distributions year-to-date. The funding of future distributions will be through an expected increase in cash flow generated from operating activities, the absence of vessel disruptions and a measure of stability in exchange rates. When considering the ability of Clearwater to maintain its current distribution level, as mentioned above, the Trustees consider current financial conditions, capital expenditures, leverage and expectations for future earnings.

In July 2007, the Canadian Institute of Chartered Accountants ("CICA") released guidance on the calculation and disclosure for distributable cash in which it requires a calculation of "Standardized Distributable Cash" and allows a calculation of "Adjusted Standardized Distributable Cash". Adjusted Standardized Distributable Cash is consistent with the calculation we have always provided and therefore for the purposes of our report we refer to it as "distributable cash". Both calculations have been provided in the definitions and reconciliations sections of the MD&A. The CICA guidance also provides a number of recommendations on various disclosures. The calculation of distributable cash is in compliance with the guidance, however management believes it would be premature to attempt to adopt all disclosure requirements until such time as greater guidance is provided. The CICA plans to issue a companion document, which will contain more guidance. Management plans to review that document when it is issued.

EXPLANATION OF THIRD QUARTER RESULTS

Consolidated Operating Results for the thirteen weeks comprising the third quarter, in thousands of Canadian dollars. The prior year has been restated to reflect the impact of the new accounting policy for refits, adopted in fiscal 2007 and applied retroactively. Please refer to the critical accounting policies section of the MD&A for further details.

The results of operations of the Fund are entirely related to Clearwater's performance and therefore the commentary below is on the operations of Clearwater. The statements of earnings disclosed below reflect the unaudited interim earnings of Clearwater for the 13-week periods ended September 29, 2007 and September 30, 2006.

	2007	2006
Sales	$ 90,555	$ 79,939
Cost of goods sold	68,553	56,991
Gross profit	22,002	22,948
	24.3%	28.7%
Administration and selling	8,616	9,708
Loss (gain) on disposal of licences and other, net	(3,425)	(733)
Other expense (income)	1,348	(1,063)
Insurance claim	(79)	–
Foreign exchange and derivative income	(3,747)	(3,139)
Bank interest and charges	260	259
Interest on long-term debt	4,743	3,052
Depreciation and amortization	2,743	3,525
Reduction in foreign currency translation account	1,790	–
	12,249	11,609
Earnings before income taxes and minority interest	9,753	11,339
Income taxes	(1,071)	1,329
Earnings before minority interest	10,824	10,010
Minority interest	1,501	1,503
Net earnings	$ 9,323	$ 8,507

NET EARNINGS

Net earnings increased by $0.8 million in the third quarter of 2007.

		2007		2006		Change
Net earnings	$	**9,323**	$	8,507	$	816
Explanation of changes in earnings:						
Lower other income						(2,411)
Higher interest on long-term debt						(1,691)
Higher gain on disposal and other, net						2,692
Lower income tax expense						2,400
All other						(174)
					$	816

Sales to customers for the quarter by product category were as follows:

		2007		2006		Change	%
Scallops	$	**29,098**	$	29,211	$	(113)	–%
Lobster		**19,400**		19,185		215	1%
Clams		**15,491**		16,212		(721)	(4%)
Coldwater shrimp		**13,430**		10,484		2,946	28%
Groundfish and other		**2,968**		2,066		902	44%
Crab		**10,168**		1,405		8,763	624%
Hedging program		**–**		1,376		(1,376)	(100%)
	$	**90,555**	$	79,939	$	10,616	13%

Scallop sales are consistent in the third quarter of 2007 compared to the same period in the prior year, indicating improvement in market conditions, which had been soft in the first half of 2007. While in previous quarters, scallop sales had been lower than they had been in the prior year comparable period; management expects sales for the balance of the year to be comparable to 2006 for the scallop business, with lower margins due to a different product mix and lower selling prices.

Lobster sales are relatively consistent with the prior year. We continue to realize the benefits of our new raw lobster product and the application of technology that provides a more effective method to sort and grade our live lobster providing improvements in margins. In addition, in January 2007, Clearwater purchased an additional offshore lobster licence and related assets, which based on recent TAC levels, should provide a return on investment in the 15–20% range and increase our lobster volumes by approximately 3%.

Clam sales in the third quarter were consistent with the result in the same period in the prior year as lower volumes were offset with higher selling prices and a more profitable product mix. The loss of the Atlantic Pursuit and continued vessel disruptions resulted in significantly lower harvest and sales volumes in the third quarter of 2007. The impact of these disruptions will continue to be felt in the fourth quarter as well. Volumes are expected to continue to be lower until the clam fleet is expanded.

Coldwater shrimp sales are higher than the prior year primarily due to an increase in volumes. In addition, the fleet experienced lower catching costs which improved margins.

Crab sales were significantly impacted by a labour dispute in Glace Bay, Nova Scotia that began in March 2006 and was resolved in the second quarter of 2007. The plant is now operating on a seasonal basis producing crab, which has translated into greater sales volumes of crab compared to the prior year.

There is no hedging income in 2007. Due to the increasing complexity of applying accounting standards, Clearwater stopped designating its foreign exchange derivative contracts as hedges for accounting purposes as of April 2, 2006. This has had the impact of reducing sales and margins compared to the prior year, as gains or losses on derivative contracts are included below the gross profit line as opposed to being included in sales.

In summary, sales for the quarter were $10.6 million greater than in 2006, as higher sales from crab and shrimp were only slightly offset by the change in hedging income.

Foreign exchange reduced sales and margins by approximately $5.1 million in the third quarter of 2007 when compared to the rates received in the third quarter of 2006.

	2007		2006	
Currency	**% sales**	**Rate**	% sales	Rate
US Dollars	**50.5%**	**1.046**	40.4%	1.160
Japanese Yen	**8.6%**	**0.010**	11.9%	0.010
Euros	**17.5%**	**1.434**	24.0%	1.446
UK pounds	**6.2%**	**2.109**	6.4%	2.100
Canadian dollar and other	**17.2%**		17.3%	
	100.0%		100.0%	

Clearwater maintains an active hedging program to provide a higher degree of certainty to future Canadian dollar cash flows. For additional detail please refer to the year-to-date analysis as well as note 3 in the financial statements.

Administration and selling costs are lower in the quarter than they were in the similar quarter of the previous year as the bonus expense is lower in 2007.

Loss (gain) on disposal of licences and other, net includes a gain on sale of non-core fishing licences of approximately $4.1 million in 2007 and $0.8 million in 2006.

Other income is lower in 2007 mainly due to a lower export rebate. In the third quarter of 2007, approximately $0.7 million of the export rebate receivable was written down due to changes in the rules for the government rebate program in Argentina. As well, quota rental and royalties were lower when compared to the prior year as 2006 included the revenue related to the licence rental for the quota related to the Glace Bay plant when it was not in operation.

Other expense (income) detail for the quarter

In (000's)	**2007**	2006
Export rebate	**$ 573**	$ (413)
Investment expense (income)	**15**	(214)
Quota rental and royalties	**–**	(767)
Other	**760**	331
	$ 1,348	$ (1,063)

Foreign exchange and derivative contract income was $3.7 million in 2007 versus $3.1 million in 2006. From a cash perspective, the business generated $0.4 million of cash from foreign exchange management in 2007 versus $2.1 million in 2006.

Foreign exchange and derivative contract detail for the quarter in (000's)	2007	2006
Realized loss (gain)		
Foreign exchange derivatives	$ (923)	$ (2,959)
Other realized	490	895
	(433)	(2,064)
Unrealized loss/(gain)		
Foreign exchange on balance sheet	(4,088)	3,274
Mark-to-market on foreign exchange derivative contracts	(164)	396
Mark-to-market on interest and currency swap contracts	938	(4,745)
	(3,314)	(1,075)
Total exchange gain	$ (3,747)	$ (3,139)

Bank interest and interest on long-term debt increased as in 2006 $765,000 of interest was capitalized. This increase was partially offset by a change in the method of accounting for an inflation indexed bond was partially offset by the new convertible debentures issued in the first quarter of 2007. Prior to 2007, interest expense included an estimate of the assumed inflation rate on the Icelandic bond. The estimated change in the liability associated with inflation indexing is included in foreign exchange and derivative contract expense for 2007.

Depreciation and amortization is lower compared to the third quarter of 2006 primarily due to a lower depreciable asset base in 2007.

The **reduction in foreign currency translation account** is a non-cash adjustment related to a reduction of Clearwater's net investment in its subsidiary in Argentina.

Income taxes have decreased compared to the prior year partially due to lower net earnings in taxable entities along with a higher amount of future tax recovery related to the clam business.

OUTLOOK

The long-term outlook for Clearwater is strong, based on Clearwater's numerous competitive advantages, including our ownership of significant quotas in key species, our innovations in harvesting and processing technologies, and our vertical integration, which allows Clearwater to manage marketing, sales and distribution in-house. While Clearwater's results for the third quarter and year-to-date reflect the impacts of external factors like currency fluctuations and market conditions, they also illustrate how Clearwater employs sound business strategies to keep our focus on long-term unitholder value. In a quarter that presented the Company with a number of challenges, we were nevertheless able to increase our sales and improve profitability. The discipline and focus on long-term results that enabled us to accomplish this are the same characteristics that will permit Clearwater to ride out the temporary challenges and return to our traditional levels of performance.

The factors that impacted earnings so far this year – scallop market conditions, foreign exchange and clam vessel disruptions – reduced distributable cash generated year-to-date by $34.6 million as compared to 2006. However, the quarterly results continue to strengthen, and we expect this improvement to continue into the fourth quarter. Management believes that with continued strengthening of market conditions for the scallop business, the absence of further vessel disruptions in the fourth quarter and an increase in realized foreign exchange income we will continue to generate positive cash flows.

The Fund also announced today that the Trustees have initiated a process for identifying and considering strategic alternatives available to maximize unitholder value. In addition, in light of the strategic review, the Trustees have elected to continue distributions for the month of November.

Tom Traves, Chairman of the Trustees, speaking on behalf of the Fund, said "While the Trustees remain confident in the business and its prospects in the long term, the Trustees believe that it is appropriate to review alternatives to maximize value for our unitholders in light of Clearwater's weak financial performance over the last nine months, the ongoing challenges facing the Fund in maintaining distributions and the Canadian government's legislation to tax income trusts. Clearwater continues to be onside on all of its banking covenants and this decision was not made at the request of any of its lenders. The Trustees intend to diligently consider a range of alternatives and will be retaining appropriate advisors to assist in this process. There can be no assurance that the review process will result in a decision regarding any transaction or that it will be completed in any specific time frame."

Clearwater Fine Foods Inc. ("CFFI") has advised The Fund that it is supportive of the strategic review process being undertaken. Stan Spavold, Executive Vice President of CFFI, stated "Clearwater has and will continue to be a long term strategic investment for CFFI and we continue to believe in the long term prospects of the business. We look forward to working with The Fund and its financial advisors in reviewing options which will benefit all unitholders." CFFI holds units of the Fund and CSLP, representing a 47% interest in the Clearwater business.

With the loss of the clam vessel under construction, the improvements that were anticipated to provide additional profit within the clam business throughout 2008 will be delayed and realized in the later part of 2008. Management continues to believe there is strong potential for growth in the clam business, and is in the process of converting the replacement for the vessel so as to bolster the clam fleet as quickly as possible.

At Clearwater, we recognize that the seafood industry is characterized by an inherent variability – and we have become a leader in this business over the course of decades by recognizing how to mitigate the impacts of short-term challenges. In the months ahead, we will continue to work to mitigate the impacts of external variables on our business – and will pursue our long-term strategies to deliver unitholder value.

CRITICAL ACCOUNTING POLICIES

Clearwater's critical accounting policies are those that are important to the portrayal of Clearwater's financial position and operations and require management to make judgments based on underlying estimates and assumptions about future events and their effects. Underlying estimates and assumptions are based on historical experience and other factors that are believed by management to be reasonable under the circumstances. These estimates and assumptions are subject to change as new events occur, as more experience is acquired, as additional information is obtained, and as the operating environment changes. Management believes the following are the most critical accounting policies and estimates used in the preparation of the consolidated financial statements.

Impact of recently adopted accounting policies

Due to the increasing complexity of applying accounting standards, as well as the requirement to adopt the Comprehensive Income accounting standard in the future, Clearwater no longer designated contracts as hedges for accounting purposes, effective April 2, 2006. As a result, it recorded the fair value of these contracts as an asset ($1.9 million at April 1, 2006) with the offsetting gain deferred and amortized at that time. From that point forward, all contracts were marked-to-market each reporting period and any gains or losses, both realized and unrealized, were included in foreign exchange income.

There have not been any other substantial changes to any of Clearwater's significant accounting policies in the past two years. During the course of the quarter, Clearwater reviewed all new accounting standards issued by the CICA in order to determine the impact of the new standards, if any.

Impact of accounting policies adopted this year-to-date:

Financial instruments and comprehensive income

Effective January 1, 2007, Clearwater adopted the new CICA Handbook Standards relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

(a) Financial Instruments

Section 3855, "Financial Instruments – Recognition and Measurement" provides guidance on the recognition and measurement of financial assets, financial liabilities and non-financial derivatives. This new standard requires that all financial assets and liabilities be classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. The initial and subsequent recognition depends on their initial classification.

Held-for-trading assets are carried at fair value with transaction costs expensed immediately and gains and losses recognized in net earnings in the period in which they arise. Held-to-maturity financial assets and loans and receivables are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest rate method, with gains and losses recognized in net earnings in the period in which they arise. Available-for-sale assets are carried at fair value with gains and losses recognized in comprehensive income. Other financial liabilities are initially measured at cost or at amortized cost depending on the nature of the instrument and are subsequently measured at amortized cost using the effective interest rate method, with gains and losses recognized in net earnings in the period in which they arise.

The standard requires Clearwater to make certain elections, upon initial adoption of the new rules, regarding the accounting model to be used to account for each financial instrument. The following is a summary of the accounting model Clearwater has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Derivative financial instruments	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Due to joint venture partner	Other liabilities
Commodity contracts	Held-for-trading

As a result of the adoption of this section, Clearwater reflected the following adjustments as of January 1, 2007:

- $71,000 was adjusted to the opening retained earnings for January 1, 2007. This related to long-term debt.
- A presentational reclassification of amounts previously recorded in "Cumulative foreign currency translation account" to "Accumulated other comprehensive income".

Deferred financing costs related to debt are no longer presented as other assets on the balance sheet but are now netted against the debt. This change in accounting policy resulted in a decrease of $2.8 million in the amount of long-term debt as of January 1, 2007.

(b) Comprehensive Income

Section 1530, "Comprehensive Income" requires separate disclosure of comprehensive income and its components in the financial statements. Other comprehensive income includes the exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations. The effect of exchange rate variations on the translation of Clearwater's net assets of self-sustaining foreign operations has been recorded as "Other comprehensive income (loss), net of tax".

Refit accruals

In September 2006, the Financial Accounting Standards Board in the United States issued FASB AUG AIR-1, Accounting for Planned Major Maintenance Activities. This standard, which is effective January 1, 2007, amends the guidance for planned major maintenance activities; specifically, it precludes the use of the previously acceptable "accrue in advance" method, the method previously used by Clearwater.

In the absence of specific guidance in Canada on this topic, we believe it appropriate to follow FASB AUG AIR-1 and therefore adopted this standard on January 1, 2007. As a result of adopting this standard, we have reduced opening refit accruals by $4.9 million, reduced future tax assets by $295,000, increased future tax liability by $260,000 and reduced the opening deficit by $4.3 million. This change in policy will result in more variability in earnings as refit expenses were previously amortized over a period of years and now will be expensed as incurred. This policy has been applied retroactively. As a result, $3.0 million has been expensed year-to-date in 2007 ($3.0 million in 2006). In 2006, annual refit costs were approximately $3.3 million. Management expects the annual refit costs for 2007 to be in line with the prior year.

As a result of adopting this standard, comparative figures for 2006 have been restated. We have made the following adjustments:

Balance Sheet	Jan. 1, 2007	13 weeks ended Sept. 30, 2006
Reduction in accounts payable and accrued liabilities	$ 4,849	$ 4,576
Reduction in other long-term assets	(295)	(250)
Increase in future income taxes liability	(260)	(429)
Reduction in deficit	$ 4,294	$ 3,897
Income statement		
Decrease in cost of goods sold	–	529
Increase in future tax expense	–	128
Increase in net earnings	–	401

Future Income Tax and other

The Fund recorded a future income tax expense of $34 million in the second quarter of 2007, accounting for the largest change in the Fund's net income (loss) quarter-over-quarter and on a year-to-date basis in 2007 relative to the prior year. The second quarter expense reflects the impact of the trust tax legislation. With the June 2007 substantive enactment of Bill C-52, a new 31.5 per cent tax will be applied to distributions from Canadian public trusts starting in 2011. As a result, the Fund recorded a $34 million future income tax expense and corresponding future income tax liability related to the differences between the accounting and tax basis of the Fund's and underlying partnership's assets. Prior to this legislation, the Fund did not record future income taxes as it was not subject to income tax. While net income in the second quarter of 2007 was reduced significantly by this future income tax adjustment, there was no impact on cash from operating activities.

On October 30, 2007, the Canadian Federal Government announced changes to the tax rates that will reduce the proposed tax applied to distributions for Canadian public income trusts from 31.5 per cent to 29.5% in 2011 and 28.5% for 2012 and going forward.

Impact of standards to be adopted in the future

Inventory

The CICA has issued a new standard on inventories, which provides more guidance on the determination of cost (it will now require an allocation of overheads), allows reversal of impairment losses, and provides additional disclosures. The implementation date is January 1, 2008. Management is in the process of implementing changes to comply with the new standard on January 1, 2008.

SUMMARY OF QUARTERLY RESULTS

The following financial data provides historical data for the ten most recently completed quarters. Please note that only the first, second and third quarters of 2006 have been restated for the change in refit policy.

(In 000's except per unit amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2007				
Sales	$ 59,095	$ 75,311	$ 90,555	
Net earnings	3,668	12,120	9,323	
Basic earnings per unit	0.07	0.23	0.18	
Fiscal 2006				
Sales	$ 70,349	$ 81,312	$ 79,939	$ 84,136
Net earnings (loss)	1,634	10,407	8,507	(19,130)
Basic earnings per unit	0.03	0.22	0.16	(0.39)
Fiscal 2005				
Sales	$ 67,359	$ 69,712	$ 93,548	$ 84,220
Net earnings	1,645	1,371	12,136	4,721
Basic earnings per unit	0.03	0.03	0.23	0.09

Clearwater's business is seasonal in nature, with sales typically higher in the second half of the calendar year than the first half of the year, a trend illustrated in the results above.

Net earnings also reflect some growth in 2005 and 2006, but have been impacted by changes in foreign exchange rates. The impact of the foreign exchange rates is clearly seen in the volatility of earnings in the quarterly results, and in particular in the fourth quarter of 2006, which included large non-cash losses related to foreign exchange derivatives.

For a more detailed analysis of each quarter's results, please refer to our quarterly and annual reports.

DEFINITIONS AND RECONCILIATIONS

Distributable Cash

Distributable cash does not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that distributable cash is a useful supplemental measure as it provides an indication of cash available for distribution to readers seeking to assess the sustainability of distributions by comparing distributions paid to the amount of distributable cash. In addition, as distributable cash is a measure frequently analyzed for income trusts we have calculated the amount in order to assist readers in this review. Distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity or as a measure of cash flows, and management does not use this measure as a performance measure of earnings. Management uses the distributable cash as a measure of cash generated by Clearwater available for distribution to unitholders without eroding Clearwater's production capacity.

We calculate distributable cash by starting with the actual cash from operating activities. From that we add or deduct as appropriate actual changes in working capital and gains/losses on disposals of property, plant, equipment and licences. Finally, we deduct the actual amount of our minority partners share in EBITDA, interest and taxes and the amount spent on capital expenditures that management has designated as being for maintenance rather than growth.

This reconciliation has been prepared using reasonable and supportable assumptions, all of which reflect Clearwater's planned courses of action given management's judgement about the most probable set of economic conditions. Any adjustments based on forward-looking information may vary from actual results, perhaps materially.

Distributable cash generated was $0.5 million year-to-date in 2007 compared to $35.1 million generated in the first nine months of 2006. In determining the payment of distributions, Clearwater considers the financial results, on-going capital expenditure requirements, leverage and expectations regarding future earnings. Future earnings can be impacted by a number of factors including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates and fuel costs.

As discussed above, factors including market conditions, foreign exchange and clam vessel disruptions impacted earnings year-to-date in 2007. These impacts also translated into a reduction of distributable cash generated by $34.6 million as compared to 2006.

($000's)	**13 weeks ended Sept. 29, 2007**	13 weeks ended Sept. 30, 2006	**39 weeks ended Sept. 29, 2007**	39 weeks ended Sept. 30, 2006
Cash flow from operating activities	**$ 5,667**	$ 17,814	**$ (1,931)**	$ 39,757
Add (deduct):				
Capital expenditures per cash flow	**(1,073)**	(1,878)	**(11,571)**	(17,741)
Standardized Distributable Cash	**4,594**	15,936	**(13,502)**	22,016
Change in non-cash working capital[a]	**2,193**	(5,094)	**8,186**	1,773
Minority share EBITDA, interest, taxes[b]	**(674)**	(1,793)	**(2,844)**	(5,918)
Adjustment for ROI capital[c]	**–**	1,328	**9,191**	16,469
Gain (loss) on disposal P,P,E /licences[d]	**(320)**	(15)	**(545)**	774
Distributable cash	**$ 5,793**	$ 10,362	**$ 486**	$ 35,114
Distributions[e]	**$ 7,875**	$ 7,918	**$ 23,692**	$ 7,918

a. Change in non-cash working capital is excluded as changes in working capital are, for the most part, due to seasonality and tend to reverse over the year and are financed using Clearwater's debt facilities. Changes in this item depend on variables including, but not limited to, supply and demand, collectibility of accounts and timing of payments. Due to the seasonal nature of the seafood industry, inventories tend to build up over the summer months due to more favourable fishing conditions, as well as during seasonal buys for product such as lobster.

b. Minority share in EBITDA, interest and taxes represents cash flows attributable to the minority interest in certain non-wholly owned subsidiaries. It is the calculated minority partners' interest in the earnings before interest, taxes, depreciation and amortization of the subsidiaries less their proportionate share of the interest and taxes. The adjustment is based on the actual results of minority interest entities and can fluctuate based on the results from the particular businesses.

c. Proportionate maintenance capital represents capital expenditures that are related to sustaining existing assets rather than expansion or productivity improvement. The adjustment includes all capital expenditures with the exception of those projects designated as ROI projects based on achieving at least a 20% return on investment – such projects are disclosed in the capital expenditure section of the MD&A. The amount can vary and may relate to actual and expected spending and future benefit when determining if the project is a maintenance project or ROI project. For additional information please refer to the 2006 annual report.

d. Gains (losses) on property, plant and equipment are added back (deducted) as during the course of operating the business Clearwater will typically realize gains and losses from the turnover of assets, which occurs frequently due to Clearwater's focus on innovation. This includes gains and losses in the investing section of the Statement of Cash Flows along with any other minor adjustments not significant to disclose separately. The amount can vary and may relate to actual spending.

e. There were no distributions for the first and second quarters of 2006.

Clearwater's business is seasonal in nature, with the result that lower amounts of distributable cash are generated in the first half of the year as compared to the latter half.

Gross Profit

Gross profit consists of sales less harvesting, production, distribution, and manufacturing costs.

Earnings before interest, tax, depreciation and amortization (EBITDA)

Non-cash foreign exchange losses and gains have been backed out of the calculation of EBITDA due to the variability in non-cash gains and losses.

Earnings before interest, tax, depreciation and amortization (EBITDA) is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net income and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. In addition, as EBITDA is a measure frequently analyzed for public companies, we have calculated the amount in order to assist readers in this review. EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of performance, as a measure of liquidity, or as a measure of cash flows and management does not use this measure as a performance measure of earnings.

Reconciliation of four quarters ended September 29, 2007 and four quarters ended December 31, 2006 EBITDA

($000's)	**Four quarters ended Sept. 29, 2007**	Four quarters ended Dec. 31, 2006
Net earnings	**$ 5,981**	$ 1,463
Add:		
Minority interest	**4,449**	5,633
Income taxes	**(900)**	3,853
Reduction in foreign currency translation	**2,462**	2,369
Foreign exchange and derivative loss (income) unrealized	**(6,137)**	23,030
Depreciation and amortization	**12,196**	14,766
Interest on long-term debt	**14,427**	13,110
Bank interest and charges	**944**	953
EBITDA	**$ 33,422**	$ 65,177

Leverage

Leverage is not a recognized measure under Canadian GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when discussing liquidity. In addition, as leverage is a measure frequently analyzed for public companies we have calculated the amount in order to assist readers in this review. Leverage should not be construed as an indicator of performance, as a measure of liquidity or as a measure of cash flows, and management does not use this measure as a performance measure of earnings.

Leverage is calculated by dividing the current and preceding three quarters' EBITDA by the total debt on the balance sheet adjusted for cash reserves, cash and currency hedges for the Icelandic debt for the period.

($000's)		Sept. 29, 2007		Dec. 31, 2006
EBITDA (as per previous table)		$ 33,422		$ 65,177
Total debt (per below)		207,004		187,619
Leverage		6.2		2.9
Debt per balance sheet		229,679		190,260
Adjust ISK denominated bond to swapped value:				
Less Icelandic bond	(50,127)		(46,795)	
Estimated payment for Icelandic bond (excluding CPI)	44,307	(5,820)	47,004	209
Reduce cash by unreserved cash				
Less cash balance	(16,855)		(10,850)	
Add cash reserve for new vessels	–	(16,855)	8,000	(2,850)
Net debt for leverage		207,004		187,619

Estimated payment for Icelandic bonds when considering currency swaps

September 29, 2007

Currency in (000's)	Amount	Current rate	Canadian $
Canadian	$ 25,000	1.000	$ 25,000
US	9,708	0.9963	9,672
Euro	2,500	1.4166	3,541
Sterling	3,000	2.0313	6,094
			$ 44,307

December 31, 2006

Currency in (000's)	Amount	Current rate	Canadian $
Canadian	$ 25,000	1.000	$ 25,000
US	9,708	1.1653	11,313
Euro	2,500	1.5377	3,844
Sterling	3,000	2.2824	6,847
			$ 47,004

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars) **(unaudited)**	**Sept. 29, 2007**	Dec. 31, 2006 (as revised note 1(c))
ASSETS		
Current Assets		
Distributions and interest receivable from Clearwater Seafoods Limited Partnership	**$ 2,277**	$ 1,486
Investment in Clearwater Seafoods Limited Partnership (note 2)	**364,873**	321,645
	$ 367,150	$ 323,131
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Distributions and interest payable	**$ 2,251**	$ 1,470
Convertible debentures (note 3)	**91,186**	46,430
Future income taxes (note 4)	**34,000**	–
Unitholders' Equity		
Trust units (note 5)	**296,180**	299,282
Contributed surplus	**2,412**	–
Deficit	**(58,879)**	(24,051)
	239,713	275,231
	$ 367,150	$ 323,131

See accompanying notes to consolidated financial statements

Subsequent event (note 8)

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

13 AND 39 WEEK PERIODS ENDED SEPTEMBER 29, 2007 AND SEPTEMBER 30, 2006

(In thousands of dollars) **(unaudited)**	**13 weeks ended 2007**	13 weeks ended 2006 (as revised note 1(c))	**39 weeks ended 2007**	39 weeks ended 2006 (as revised note 1(c))
Equity in net earnings of Clearwater Seafoods Limited Partnership	**$ 5,932**	$ 4,675	**$ 14,618**	$ 12,145
Loss on investment	**(2,047)**	–	**(2,047)**	–
Interest income	**1,782**	872	**4,371**	2,627
Interest expense	**(1,930)**	(900)	**(4,627)**	(2,711)
Future income taxes (note 4)	**–**	–	**(34,000)**	–
Net earnings (loss)	**3,737**	4,647	**(21,685)**	12,061
Deficit at beginning of period as previously stated	**(58,301)**	(11,682)	**(26,453)**	(19,343)
Transitional adjustment for the application of new financial instrument sections by equity investee (note 1 (a))	**–**	–	**(40)**	–
Application of new refit policy by equity investee (note 1 (c))	**–**	1,948	**2,402**	2,195
Deficit at beginning of period restated	**(58,301)**	(9,734)	**(24,091)**	(17,148)
Distributions paid during the period	**(4,366)**	(4,411)	**(13,171)**	(4,411)
Adjustment for cancellation of convertible debentures	**51**	17	**68**	17
Deficit at end of period	**$ (58,879)**	$ (9,481)	**$ (58,879)**	$ (9,481)
Basic and diluted net earnings (loss) per trust unit	**$ 0.13**	$ 0.16	**$ (0.75)**	$ 0.39

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

13 AND 39 WEEK PERIODS ENDED SEPTEMBER 29, 2007 AND SEPTEMBER 30, 2006

(In thousands of dollars) (unaudited)	**13 weeks ended 2007**	13 weeks ended 2006	**39 weeks ended 2007**	39 weeks ended 2006
Net earnings (loss)	**$ 3,737**	$ 4,647	**$ (21,685)**	$ 12,061
Other comprehensive income, net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operations	**147**	(105)	**532**	4
Comprehensive income (loss)	**$ 3,884**	$ 4,542	**$ (21,153)**	$ 12,065

CONSOLIDATED STATEMENTS OF CASH FLOWS

13 AND 39 WEEK PERIODS ENDED SEPTEMBER 29, 2007 AND SEPTEMBER 30, 2006

(In thousands of dollars) (unaudited)	13 weeks ended 2007	13 weeks ended 2006	39 weeks ended 2007	39 weeks ended 2006
Cash flows (used in) from operating activities				
Net earnings	$ 3,737	$ 4,647	$ (21,685)	$ 12,061
Items not involving cash				
Equity in net earnings of Clearwater Seafoods Limited Partnership, net of cash distributions received of $4,366, 39 weeks $13,171 (2006 – $ 4,411, 39 weeks – $ 4,411)	(1,567)	(286)	(1,447)	(7,756)
Future income taxes	–	–	34,000	–
Loss on investment	2,047	–	2,047	–
Other	149	28	256	84
	4,366	4,389	13,171	4,389
Cash flows (used in) from financing activities				
Repurchase of convertible debentures	(1,000)	(991)	(2,000)	(991)
Repurchase of Class A units	(1,147)	–	(2,235)	–
Issuance of convertible debentures	–	–	48,042	–
Distributions to unitholders	(4,366)	(4,411)	(13,171)	(4,411)
	(6,513)	(5,402)	30,636	(5,402)
Cash flows (used in) from investing activities				
Redemption of Class A units	1,147	–	2,235	–
Redemption of Class C units	1,000	1,013	2,000	1,013
Purchase of Clearwater Class D units	–	–	(48,042)	–
	2,147	1,013	(43,807)	1,013
Increase (decrease) in cash	–	–	–	–
Cash – beginning of period	–	–	–	–
Cash – end of period	$ –	$ –	$ –	$ –

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(TABULAR AMOUNTS EXPRESSED IN THOUSANDS OF DOLLARS) (UNAUDITED)

1. BASIS OF PRESENTATION

Clearwater Seafoods Income Fund (the "Fund") is a limited purpose, open-ended trust established under the laws of the Province of Ontario. The Fund was created to acquire and indirectly hold the securities of Clearwater Seafoods Limited Partnership ("Clearwater").

The unaudited interim period consolidated financial statements have been prepared by the Fund in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as described in 1 (a) and 1 (b). These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Fund's 2006 Annual Report.

These consolidated financial statements consolidate the accounts of the Fund and its subsidiary, Clearwater Seafoods Holdings Trust ("CSHT"). CSHT owns 55.32% (December 31, 2006 – 55.71%) of the units of Clearwater. However, as the Fund does not have the right to nominate the majority of the board of directors, it does not consolidate the results of Clearwater's operations but rather accounts for the investment using the equity method. Under this method, the cost of the investment is increased by the Fund's proportionate share of Clearwater's earnings and reduced by any distributions paid to the Fund by Clearwater and amortization of the purchase price discrepancy. Due to the limited amount of information that this provides on the underlying operations of Clearwater, the financial statements of Clearwater are also enclosed.

(a) Effective January 1, 2007, the Fund adopted the new CICA Handbook Standards relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

Section 3855, "Financial Instruments – Recognition and Measurement" provides guidance on the recognition and measurement of financial assets, financial liabilities and non-financial derivatives. This new standard requires that all financial assets and liabilities be classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. The initial and subsequent recognition depends on their initial classification.

Held-for-trading assets are carried at fair value with transaction costs expensed immediately and gains and losses recognized in net earnings in the period in which they arise. Held-to-maturity financial assets and loans and receivables are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest rate method, with gains and losses recognized in net earnings in the period in which they arise. Available-for-sale assets are carried at fair value with gains and losses recognized in comprehensive income. Other financial liabilities are initially measured at cost or at amortized cost, depending upon the nature of the instrument, and are subsequently measured at amortized cost using the effective interest rate method, with gains and losses recognized in net earnings in the period in which they arise.

The standard requires the Fund to make certain elections, upon initial adoption of the new rules, regarding the accounting model to be used to account for each financial instrument. The following is a summary of the accounting model the Fund has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Distribution and interest receivable	Loans and receivables
Distribution and interest payable	Other liabilities
Convertible debentures	Other liabilities

As a result of the adoption of this section, the following adjustments have been made as of January 1, 2007 (reflecting their equity interest in adjustments made by Clearwater):

- Investment in Clearwater Seafoods Limited Partnership was increased by $40,000 and
- Deficit was reduced by $40,000. This related to the amortization of the deferred financing charges associated with the convertible debentures.

(b) Comprehensive Income

Section 1530, "Comprehensive Income" requires separate disclosure of comprehensive income and its components in the financial statements. Other comprehensive income includes the exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations. The effect of exchange rate variations on the translation of Clearwater's net assets of self-sustaining foreign operations has been recorded as "Other comprehensive income (loss), net of tax".

(c) In September 2006, the Financial Accounting Standards Board in the United States issued FASB AUG AIR-1, Accounting for Planned Major Maintenance Activities. This standard, which is effective January 1, 2007, amends the guidance for planned major maintenance activities; specifically it precludes the use of the previously acceptable "accrue in advance" method, the method used by Clearwater in the past. In the absence of specific guidance in Canada on this topic, we believe it appropriate to follow FASB AUG AIR-1 and therefore have adopted this standard on January 1, 2007. As a result of adopting this standard, comparative figures for 2006 have been restated. The Fund made the following adjustment as a result:

	January 1, 2007	13 weeks ended Sept. 30, 2006	39 weeks ended Sept. 30, 2006
Increase in investment in Clearwater Seafoods Limited Partnership	**$ 2,402**	$ 2,155	$ 2,155
Reduction in opening deficit	**2,402**	1,948	2,195
Increase (decrease) in equity in net earnings of Clearwater Seafoods Limited Partnership	**–**	223	(24)

2. INVESTMENT IN CLEARWATER SEAFOODS LIMITED PARTNERSHIP

The investment in Clearwater Seafoods Limited Partnership consists of the following:

	Sept. 29, 2007	Dec. 31, 2006
Investment in Class A Partnership units, at cost	**$ 293,808**	$ 298,454
Investment in Class C Partnership units	**45,000**	47,000
Investment in Class D Partnership units	**48,041**	–
Add: Cumulative equity in net earnings	**95,246**	80,242
Less: Cumulative distributions received	**(117,222)**	(104,051)
	$ 364,873	$ 321,645

The majority of Clearwater's underlying assets consist of licences that enable Clearwater to harvest various species of seafood. These licences have indefinite lives, are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Fund analyzes the carrying value of its investment in Clearwater as if it had consolidated Clearwater with the Fund. This assessment of the investment in Clearwater may not reflect the current market value of the business as it includes various long-term assumptions related to Clearwater's operations.

Included in equity in net earnings for the quarter is a recovery of $795,000, 39 weeks – $705,000 (quarter ended September 30, 2006 an expense of $40,000, 39 weeks – $721,000) for amortization and other adjustments relating to purchase price discrepancies recognized by the Fund in accounting for its investment in Clearwater using the equity method.

During 2007 Clearwater repurchased 457,900 Class A Units from the Fund for $2,235,000 (2006 – nil). Clearwater also repurchased $2 million Class C units from the Fund for $2,000,00 (2006 – $3,000,000). The net loss on the sale of the units by the Fund to Clearwater was $2,047,000.

In March 2007, 7,372,881 Class D units were issued concurrently by Clearwater with the issue by the Fund of $43.5 million of Convertible Debentures and an additional $4.5 million in April and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit.

Details of the allocation of the excess of the Fund's cost over the historical cost of the assets recorded by Clearwater are as follows:

	Sept. 29, 2007	Dec. 31, 2006
Intangible assets		
Licences – indefinite lives	$ 186,314	$ 189,260
Customer relationships and other	466	518
Goodwill	14,018	14,240
Long-term liabilities	409	504
Cumulative foreign currency translation account	(5,330)	(6,254)
	$ 195,877	$ 198,268

3. CONVERTIBLE DEBENTURES

On June 15, 2004, the Fund completed an offering for $50 million of 7% convertible unsecured subordinated debentures, which are due December 31, 2010. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $12.25 per trust unit. The debentures pay interest semi-annually in arrears on June 30 and December 31, commencing December 31, 2004. The debentures are not redeemable before December 31, 2007. On and after December 31, 2007, but before December 31, 2008, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after December 31, 2008, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holder's option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt.

The Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period commencing August 2006. Any repurchase at the Fund level would be accompanied by a similar repurchase of Class C Partnership units by Clearwater. During the year ended December 31, 2006, $3 million of the Class C units were repurchased by Clearwater and cancelled with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures. During the first quarter of 2007, an additional $1 million of the Class C units were repurchased by Clearwater and cancelled with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures. During the third quarter of 2007, an additional $1 million of the Class C units were repurchased by Clearwater and cancelled with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures. The principal outstanding as at September 29, 2007 was $45 million.

On March 9, 2007, the Fund completed an offering for $43.5 million of 7.25% convertible unsecured subordinated debentures, which are due March 31, 2014. On April 11, 2007 the Fund's syndicate exercised the over-allotment option in the amount of $4,542,000 principal amount of convertible unsecured subordinated debentures. The convertible debentures are convertible at any time up to maturity at the option of the holder into trust units of the Fund at a conversion price of $5.90 per trust unit. The debentures pay interest semi-annually in arrears on March 31 and September 30, commencing September 30, 2007. The debentures are not redeemable before March 31, 2010. On and after March 31, 2010, but before March 31, 2012, the debentures may be redeemed at the option of the Fund provided that the market price of the trust units is not less than 125% of the conversion price. On and after March 31, 2012, the debentures may be redeemed at the option of the Fund at a price equal to their principal amount plus accrued interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the debentures on redemption or at maturity, in whole or in part, by delivering that number of trust units equal to the amount due divided by 95% of the market price of the trust units at that time, plus accrued interest in cash. The convertible debentures are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units has been classified as equity and the remaining portion of the convertible debenture has been classified as debt.

On June 2, 2007, $1,000 of the convertible debentures was converted into 169 Class A units at a price of $5.90 per unit resulting in a principal outstanding as at September 29, 2007 of $48,041,000.

The estimated fair value of the Fund's convertible debentures at September 29, 2007 was $85,346,810 based on the quoted market value of the debentures Clr.db and Clr.db.a on the Toronto Stock Exchange.

4. FUTURE INCOME TAXES

In June 2007, Bill C-52 Budget Implementation Act, 2007 was substantively enacted by the Canadian federal government, which contains legislation to tax publicly traded trusts in Canada. As a result, a new 31.5 per cent tax will be applied to distributions from Canadian public income trusts. The new tax is not expected to apply to Clearwater Seafoods Income Fund until 2011 as a transition period applies to publicly traded trusts that existed prior to November 1, 2006. As a result of this substantive enactment of trust legislation, the Fund recorded a $34 million future income tax expense and future income tax liability in the second quarter of 2007. The future income tax adjustment represents the taxable temporary differences of Clearwater Seafoods Income Fund tax effected at 31.5 per cent, which is the rate that will be applicable in 2011 under the current legislation and the Fund's current structure. The Fund continues to review its current structure in light of this new tax on trusts, and intends to evaluate alternatives so that the best structure is in place for unitholders. On October 30, 2007, the Canadian Federal Government announced changes to the tax rates that will reduce the proposed tax applied to distributions from Canadian public income trusts from 31.5 per cent to 29.5% in 2011 and 28.5% for 2012 and beyond.

5. TRUST UNITS AND SPECIAL TRUST UNITS

The Declaration of Trust provides that an unlimited number of units and an unlimited number of Special Trust Units may be issued. Each unit is transferable and represents an equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund in the event of termination or winding up of the Fund. All units have equal rights and privileges. Each unit entitles the holder thereof to participate equally in the distributions and to one vote at all meetings of unitholders for each whole unit held. The issued units are not subject to future calls or assessments. Units are redeemable at any time at the option of the holder at amounts related to market price at the time, subject to a maximum of $50,000 in aggregate cash redemptions by the Fund in any particular month. This limitation may be waived at the discretion of the Trustees of the Fund. Redemption in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of assets of the Fund, namely notes of Clearwater Seafoods Holdings Trust.

The Special Trust Units have been issued solely to provide voting rights to Clearwater Class B units ("CSLP Exchangeable Units"). Special Trust Units were issued in conjunction with the CSLP Exchangeable Units and cannot be transferred separately from them. Special Trust Units entitle the holders thereof to the number of votes at any meeting of unitholders of the Fund equal to the number of units which may be obtained upon exchange of the CSLP Exchangeable Units to which they relate and do not otherwise entitle the holder to any rights with respect to the Fund's property or income.

	Units	Special Trust Units	Total $ (in 000's)
Balance December 31, 2006	29,407,626	23,381,217	$ 298,454
Equity component of Convertible Debentures			828
Balance December 31, 2006	29,407,626	23,381,217	299,282
Cancellation of Class A units	(457,900)	–	(4,647)
Issuance of Class A units	169		1
	28,949,895	23,381,217	294,636
Equity component of Convertible Debentures 7.25%			1,579
Equity component of Convertible Debentures repurchased 7%			(35)
Balance September 29, 2007			$ 296,180

As at September 29, 2007 there were in total 52,331,112 units outstanding (52,788,843 – December 31 2006).

On January 24, 2007, the Fund received approval for a normal course issuer bid which enables it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007 and in accordance with the requirements of the TSX. Any Units purchased by the Fund will be cancelled and will be accompanied by a similar repurchase of units by Clearwater.

During the first nine months of 2007, the Fund purchased and cancelled 457,900 units at a cost of $2,235,000 which reduced the equity component of the units by $4,647,000 and created contributed surplus of $2,412,000.

6. GUARANTEES

The Fund guarantees Clearwater's term credit facility (see note 5(g) to Clearwater's financial statements). The guarantee is limited to the value of the convertible debentures and the value of the units held in Clearwater. As of September 29, 2007 and December 31, 2006 there were no balances outstanding on the term credit facility.

7. SEASONALITY

Due to the seasonal nature of Clearwater's business, earnings are typically higher in the second half of the calendar year than the first half of the year.

8. SUBSEQUENT EVENT

The Fund announced on November 13, 2007 that the Trustees have initiated a process for identifying and considering strategic alternatives available to maximize unit holder value. The strategic review is in response to Clearwater's weak financial performance over the last 9 months, the ongoing challenges facing the Fund in maintaining distributions and the Canadian government's legislation to tax income trusts. The Trustees anticipate retaining a financial advisor in due course to assist it in this process. While a range of alternatives may be considered, there can be no assurance that the review process will result in a decision regarding any transaction or that it will be completed in any specific time frame. In addition, this process may result in a transaction that results in a lower value than the current carrying value of the Fund's investment in Clearwater.

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars) (audited)	Sept. 29, 2007	Dec. 31, 2006 (as revised – note 2(c))
ASSETS		
Current Assets		
Cash	$ 16,855	$ 10,850
Accounts receivable	49,646	59,388
Inventories	69,733	53,669
Derivative financial instruments (notes 2(a) and 3(b))	10,424	–
Vessel settlement (note 4(a))	43,000	–
Prepaids and other	5,732	6,122
	195,390	130,029
Other long-term assets	7,062	9,563
Property, plant and equipment (note 4(a))	103,920	156,816
Licences	107,165	102,714
Goodwill	10,378	10,378
	$ 423,915	$ 409,500
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 30,214	$ 32,995
Derivative financial instruments (notes 2(a) and 3(b))	10,970	27,002
Distributions payable	2,617	2,639
Income taxes payable	476	5,481
Current portion of long-term debt (note 5)	1,123	868
	45,400	68,985
Long-term debt (note 5)	228,556	189,392
Future income taxes	6,044	8,569
Due to joint venture partner	2,085	2,280
Minority interest	2,313	2,258
Unitholders' Equity		
Partnership units (note 6)	171,942	173,079
Deficit	(21,379)	(22,742)
Contributed surplus	446	–
Accumulated other comprehensive loss (notes 2(b) and 8)	(11,492)	(12,321)
	139,517	138,016
	$ 423,915	$ 409,500

See accompanying notes to consolidated financial statements

Subsequent event (note 11)

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

13 AND 39 WEEK PERIODS ENDED SEPTEMBER 29, 2007 AND SEPTEMBER 30, 2006

(In thousands of dollars) (unaudited)	13 weeks ended 2007	13 weeks ended 2006	39 weeks ended 2007	39 weeks ended 2006
Sales	$ 90,555	$ 79,939	$ 224,961	$ 231,600
Cost of goods sold	68,553	56,991	175,106	164,194
Gross profit	22,002	22,948	49,855	67,406
Administration and selling	8,616	9,708	28,622	27,329
(Gain) loss on disposal of licences and other	(3,425)	(733)	(3,727)	2,198
Other expense (income) (note 7)	1,348	(1,063)	(746)	(4,760)
Insurance claim (note 4(b))	(79)	–	(3,997)	–
Foreign exchange and derivative contracts (note 3(c))	(3,747)	(3,139)	(20,805)	(10,807)
Bank interest and charges	260	259	687	696
Interest on long-term debt	4,743	3,052	11,205	9,888
Depreciation and amortization	2,743	3,525	8,628	11,198
Reduction in foreign currency translation account (note 8)	1,790	–	1,790	1,697
	12,249	11,609	21,657	37,439
Earnings before the undernoted	9,753	11,339	28,198	29,967
Income taxes	(1,071)	1,329	(458)	4,690
Earnings before minority interest	10,824	10,010	28,656	25,277
Minority interest	1,501	1,503	3,545	4,729
Net earnings	$ 9,323	$ 8,507	$ 25,111	$ 20,548
Deficit at beginning of period as previously reported	(22,845)	(248)	(27,054)	(12,734)
Transitional adjustment for the application of new financial instruments section (note 2(b))	–	–	(71)	–
Application of new refit policy (note 2(c))	–	3,496	4,292	3,941
(Deficit) retained earnings at beginning of period restated	(22,845)	(3,248)	(22,833)	(8,793)
Distributions paid (note 6)	(7,875)	(7,918)	(23,692)	(7,918)
Adjustment for cancellation of Class C Units	18	17	35	17
(Deficit) retained earnings end of period	$ (21,379)	$ 3,854	$ (21,379)	$ 3,854
Basic and diluted net earnings per unit	$ 0.18	$ 0.16	$ 0.48	$ 0.39

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

13 AND 39 WEEK PERIODS ENDED SEPTEMBER 29, 2007 AND SEPTEMBER 30, 2006

(In thousands of dollars) (unaudited)	13 weeks ended 2007	13 weeks ended 2006	39 weeks ended 2007	39 weeks ended 2006
Comprehensive Income				
Net earnings	$ 9,323	$ 8,507	$ 25,111	$ 20,548
Other comprehensive income (loss), net of tax unrealized gains and losses on translating financial statements of self-sustaining foreign operation	267	(190)	961	7
Comprehensive income	$ 9,590	$ 8,317	$ 26,072	$ 20,555
Accumulated other comprehensive loss				
Balance beginning of period	$ (13,015)	$ (13,585)	$ (12,321)	$ (15,085)
Reduction in cumulative foreign currency translation account (note 8)	1,790	–	1,790	1,697
Unrealized gain (loss) on translation of self sustaining foreign operation (note 2(b))	(267)	190	(961)	(7)
Balance end of period	$ (11,492)	$ (13,395)	$ (11,492)	$ (13,395)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

13 AND 39 WEEK PERIODS ENDED SEPTEMBER 29, 2007 AND SEPTEMBER 30, 2006

(In thousands of dollars) (unaudited)	13 weeks ended 2007	13 weeks ended 2006 (as revised – note 2(c))	39 weeks ended 2007	39 weeks ended 2006 (as revised – note 2(c))
Cash flows from (used in) operating activities				
Net earnings	**$ 9,323**	$ 8,507	**$ 25,111**	$ 20,548
Items not involving cash:				
Depreciation and amortization	**2,743**	3,525	**8,628**	11,198
Unrealized foreign exchange on long-term debt	**(4,088)**	3,274	**(4,785)**	(7,382)
Unrealized inflation and interest on long-term debt	**769**	1,198	**2,361**	3,571
Future income taxes (recovery) expense	**(1,990)**	353	**(2,711)**	(325)
Reduction in foreign currency translation account	**1,790**	–	**1,790**	1,697
Minority interest	**1,501**	1,503	**3,545**	4,729
Unrealized foreign exchange on currency option contracts	**(164)**	396	**(21,135)**	4,444
Unrealized loss on currency and interest swap contracts	**938**	(4,745)	**(3,813)**	2,373
Loss (gain) on disposal and other, net	**(2,962)**	(762)	**(2,736)**	1,027
	7,860	13,249	**6,255**	41,880
Change in non-cash operating working capital	**(2,193)**	4,565	**(8,186)**	(2,123)
	5,667	17,814	**(1,931)**	39,757
Cash flows from (used in) financing activities				
Proceeds from long-term debt	**300**	–	**46,035**	–
Reduction of long-term debt	**(53)**	(320)	**(879)**	(1,487)
Other	**3**	191	**(363)**	287
Purchase of Class C units	**(1,000)**	(991)	**(2,000)**	(991)
Purchase of Class A units	**(1,147)**	–	**(2,235)**	–
Investment by partner	**–**	570	**–**	570
Distributions to minority partners	**(502)**	(2,133)	**(3,490)**	(4,551)
Distributions to unitholders	**(7,875)**	(7,918)	**(23,692)**	(7,918)
	(10,274)	(10,601)	**13,376**	(14,090)
Cash flows from (used in) investing activities				
Increase in other long-term assets	**129**	(638)	**243**	266
Purchase of property, plant, equipment, licences and other	**(1,073)**	(1,878)	**(11,571)**	(17,741)
Proceeds on disposal of property, plant, equipment, licences and other	**5,165**	898	**5,888**	1,835
	4,221	(1,618)	**(5,440)**	(15,640)
Increase (decrease) in cash	**(386)**	5,595	**6,005**	10,027
Cash – beginning of period	**17,241**	14,158	**10,850**	9,726
Cash – end of period	**$ 16,855**	$ 19,753	**$ 16,855**	$ 19,753
Supplementary cash flow information				
Interest paid	**$ 3,532**	$ 2,327	**$ 10,685**	$ 9,627
Income taxes paid	**$ 298**	$ 879	**$ 7,002**	$ 1,650

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(TABULAR AMOUNTS EXPRESSED IN THOUSANDS OF DOLLARS) (UNAUDITED)

1. BASIS OF PRESENTATION

Clearwater Seafoods Limited Partnership ("Clearwater") is a limited partnership that acquired the seafood business of Clearwater Fine Foods Incorporated ("CFFI") on July 30, 2002.

The unaudited interim period consolidated financial statements have been prepared by Clearwater in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as disclosed in note 2 below. These unaudited interim period consolidated financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in Clearwater Seafoods Income Fund's (the "Fund") 2006 Annual Report.

As CFFI maintained the right to nominate the majority of the board of directors both before and after the acquisition of its seafood business by Clearwater the acquisition was accounted for using the book values of the assets and liabilities as recorded by CFFI.

Due to the seasonal nature of the business, gross profit is typically higher in the second half of the calendar year than the first half of the year.

2. CHANGES IN ACCOUNTING POLICIES

(a) Financial Instruments

Effective January 1, 2007, Clearwater adopted the new CICA Handbook Standards relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

Section 3855, "Financial Instruments – Recognition and Measurement" provides guidance on the recognition and measurement of financial assets, financial liabilities and non-financial derivatives. This new standard requires that all financial assets and liabilities be classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. The initial and subsequent recognition depends on their initial classification.

Held-for-trading assets are carried at fair value with transaction costs expensed immediately and gains and losses recognized in net earnings in the period in which they arise. Held-to-maturity financial assets and loans and receivables are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest rate method, with gains and losses recognized in net earnings in the period in which they arise. Available-for-sale assets are carried at fair value with gains and losses recognized in comprehensive income. Other financial liabilities are initially measured at cost or at amortized cost, depending upon the nature of the instrument, and are subsequently measured at amortized cost using the effective interest rate method, with gains and losses recognized in net earnings in the period in which they arise.

The standard requires Clearwater to make certain elections, upon initial adoption of the new rules, regarding the accounting model to be used to account for each financial instrument. The following is a summary of the accounting model Clearwater has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Derivative financial instruments	Held-for-trading
Vessel settlement	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Due to joint venture partner	Other liabilities
Commodity contracts	Held-for-trading

As a result of the adoption of this section, Clearwater reflected the following adjustments as of January 1, 2007:

- $71,000 was adjusted to the opening retained earnings for January 1, 2007. This related to the amortization of the deferred financing charges associated with the long-term debt.
- A reclassification of amounts previously recorded in "Cumulative foreign currency translation account" to "Accumulated other comprehensive income".

Deferred financing costs related to debt are no longer presented as other assets on the balance sheet but are now netted against the debt. This change in accounting policy resulted in a decrease of $2.8 million in the amount of long-term debt as of January 1, 2007.

(b) Comprehensive Income

Section 1530, "Comprehensive Income" requires separate disclosure of comprehensive income and its components in the financial statements. Other comprehensive income includes the exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations. The effect of exchange rate variations on the translation of Clearwater's net assets of self-sustaining foreign operations has been recorded as "Other comprehensive income (loss), net of tax".

(c) Refits

In September 2006, the Financial Accounting Standards Board in the United States issued FASB AUG AIR-1, Accounting for Planned Major Maintenance Activities. This standard, which is effective January 1, 2007, amends the guidance for planned major maintenance activities; specifically it precludes the use of the previously acceptable "accrue in advance" method, the method used by Clearwater in the past.

In the absence of specific guidance in Canada on this topic, we believe it appropriate to follow FASB AUG AIR-1 and therefore have adopted this standard on January 1, 2007. As a result of adopting this standard, comparative figures for 2006 have been restated. We have made the following adjustments:

	Jan. 1, 2007	Sept. 30, 2006
Balance Sheet		
Reduction in accounts payable and accrued liabilities	**$ 4,849**	$ 4,576
Reduction in other long-term assets	**(295)**	(250)
Increase in future income taxes liability	**(260)**	(429)
Reduction in deficit	**$ 4,294**	$ 3,897

	13 weeks ended Sept. 30, 2006	39 weeks ended Sept. 30, 2006
Income statement		
Decrease in cost of goods sold	529	351
Increase in future tax expense	128	395
Increase (decrease) in net earnings	401	(44)

(d) Impact of standards to be adopted in the future:

Inventory

The CICA has issued a new standard on inventories, which provides more guidance on the determination of cost including the allocation of overheads and the reversal of impairment losses as well as the requirement to provide additional disclosures. The implementation date is January 1, 2008. Management is currently reviewing the impact of this new standard and will disclose the impact on December 31, 2007 inventories in the fourth quarter earnings report.

3. FOREIGN EXCHANGE AND DERIVATIVE CONTRACTS

(a) Clearwater enters into derivative financial instruments to manage underlying fair value and cash flow risks associated with foreign currency and interest rates.

At September 29, 2007 and December 31, 2006, Clearwater had outstanding forward contracts as follows (as converted to Canadian dollars at contracted rates):

Currency	Notional Amount	Average Exchange Rate	Maturity	Fair Value Asset (Liability)
United States dollar				
September 29, 2007	Sell forwards 15,500	1.056	2007	1,195
	Sell forwards 45,000	1.088	2008	4,125
December 31, 2006	Sell forwards 55,500	1.136	2007	(1,526)
	Buy forwards 14,000	1.120	2007	544
Euro				
September 29, 2007	Sell forwards 1,000	1.449	2007	27
	Sell forwards 8,000	1.455	2008	277
	Buy forwards 15,000	1.432	2008	(187)
December 31, 2006	Sell forwards 9,550	1.442	2007	(913)
Sterling				
September 29, 2007	Sell forwards 5,450	2.269	2007	1,308
	Buy forwards 3,000	2.133	2007	(301)
	Sell forwards 15,000	2.163	2008	2,192
December 31, 2006	–	–	–	–
Yen				
September 29, 2007	Sell forwards 300,000	0.010	2007	499
	Sell forwards 300,000	0.011	2008	522
December 31, 2006	–	–	–	–

At September 29, 2007 and December 31, 2006, Clearwater had written the following foreign currency option and expandable forward contracts (as converted to Canadian dollars at contracted rates):

Currency		Notional Amount	Exchange Range	Maturity	Fair value asset (liability)
United States dollar					
September 29, 2007		Option 55,000	1.049 – 1.149	2007	(3,324)
		Expandable 12,000	1.131 – 1.145	2007	–
		Option 125,000	1.016 – 1.123	2008	(7,068)
		Expandable 12,000 – 30,000	1.106	2008	1,194
		Reverse knock outs 41,000	1.183	2008	(36)
December 31, 2006		Option 160,000	1.1003 – 1.252	2007	(5,435)
		Option hedge 20,000	1.135 – 1.180	2007	90
		Expandable 500 – 72,000	1.131 – 1.202	2007	(1,931)
Japanese Yen					
September 29, 2007		Option 1,000,000	0.009	2007	(10)
		Option 3,000,000	0.008 – 0.009	2008	(1,659)
December 31, 2006		Option 2,000,000	0.009 – 0.010	2007	(189)
Euro					
September 29, 2007		Option 23,000	1.430 – 1.486	2007	(55)
		Option 23,000	1.534 – 1.550	2008	(12)
December 31, 2006		Option 55,000	1.390 – 1.585	2007	(6,466)
Sterling					
September 29, 2007		–	–	–	–
December 31, 2006		Option 25,700	2.013 – 2.101	2007	(5,995)

If Clearwater had settled these contracts prior to maturity, at September 29, 2007, it would have made a net payment of $1,313,000. The contracts outstanding at December 31, 2006, if settled would have led to a net payment of $21,821,000. The liability or asset recorded is included in derivative financial instruments, and the resulting loss or gain is included in income.

Subsequent to the end of the third quarter 2007, Clearwater closed out contracts that had a fair value of $ 9.7 million as at September 29, 2007 for net proceeds of $11.9 million.

(b) Summary of net liability position for derivative contracts:

Forward, option and expandable contracts	$	1,313
Interest rate contracts		(670)
Commodity contracts		(97)
Net liability position	$	546
Portion disclosed on balance sheet as derivative financial instrument asset	$	10,424
Portion disclosed on balance sheet as derivative financial instrument liability		10,970
Net liability position	$	546

(c)	13 weeks ended Sept. 29 2007	13 weeks ended Sept. 30, 2006	39 weeks ended Sept. 29, 2007	39 weeks ended Sept. 30, 2006
Realized (gain) loss				
Foreign exchange and derivative income	$ (923)	$ (2,959)	$ 6,859	$ (11,268)
Other	490	895	2,069	1,026
	(433)	(2,064)	8,928	(10,242)
Unrealized (gain) loss				
Foreign exchange on long-term debt	(4,088)	3,274	(4,785)	(7,382)
Mark-to-market on option contracts	(164)	396	(21,135)	4,444
Mark-to-market on interest and currency swaps	938	(4,745)	(3,813)	2,373
	(3,314)	(1,075)	(29,733)	(565)
Total gain	$ (3,747)	$ (3,139)	$ (20,805)	$ (10,807)

(d) Credit risk

Clearwater is exposed to credit risk in the event of non-performance by counter parties to its derivative financial instruments, but does not anticipate non-performance by any of the counter parties as Clearwater only deals with highly rated financial institutions.

Clearwater has significant accounts receivable from customers operating in Canada, United States, Europe and Asia. Clearwater has a policy of utilizing a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate customer specific credit risk and country specific credit risk.

(e) Interest rate risk

As indicated in the note entitled “Long-Term Debt”, Clearwater uses cross currency and interest rate swaps to hedge its exposures to changes in foreign currencies and interest rates. The terms of the swap agreements related to the Icelandic bonds also effectively hedge the changes in the Consumer Price Index (“CPI”). These agreements do not qualify for hedge accounting. Although Clearwater has no intention of settling these contracts prior to maturity, at September 29, 2007, if it settled these contracts it would have received a net payment of $670,000 (December 31, 2006 – made a net payment of $4,605,000). The liability is included in derivative financial instruments and the resulting non-cash loss is included in income. See note 5(d) for additional information relating to the swaps.

(f) Commodity contracts

On January 19, 2007, Clearwater entered into a crude oil option for 13,000 barrels per month effective for the period from March 1, 2007 to August 31, 2007 with a strike price of US $60 per barrel. If the contracts outstanding at December 31, 2006 were settled, Clearwater would have made a payment of $553,000.

On June 27, 2007, Clearwater entered into a natural gas option for 20,000 MMBTU per month, effective for the period from September 1, 2007 to February 29, 2008 with a strike price of US $8.40 per MMBTU. Although Clearwater has no intention of settling the contract prior to maturity, if it settled the contract it would have received a payment of $97,000.

4. VESSEL CLAIMS

(a) On June 25, 2007, a new clam vessel that was to have been delivered in the third quarter capsized. In the third quarter, we agreed to a settlement of Canadian $46 million with the yard that had been constructing the vessel. This agreement is fully secured through letters of credit and an assignment of insurance proceeds. During the third quarter, a payment of $3 million was applied against the receivable, and subsequent to the third quarter a payment of $25 million was received with the balance of the payment expected prior to December 31, 2007.

(b) On December 5, 2006, one of Clearwater's factory freezer clam vessels, the Atlantic Pursuit, was struck by a large wave that caused extensive damage as it was riding out a winter storm on the Southeastern Grand Banks. This was an older vessel and scheduled to be retired from the fleet later in 2007 but as a result of the extensive damage incurred was retired early. An agreement was reached with Clearwater's insurers during the first quarter and as a result a gain of approximately $4.0 million has been recorded.

5. LONG-TERM DEBT

	Sept. 29, 2007	Dec. 31, 2006
Notes payable (a)		
Canadian	**$ 62,520**	$ 63,000
United States dollars	**19,749**	23,308
Class C Partnership Units (b)	**43,005**	46,430
Class D Partnership Units (c)	**44,463**	–
Bond payable (d)	**50,127**	46,795
Marine mortgage, due in 2017 (e)	**4,771**	5,584
Term loan, due in 2091 (f)	**3,500**	3,500
Other loans	**1,544**	1,643
	229,679	190,260
Less current portion	**1,123**	868
	$ 228,556	$ 189,392

(a) Notes payable, senior secured notes issued in four series:

- $43,000,000 Canadian Series A Notes issued in 2003, bearing interest at 6.4% payable semi-annually, maturing December 8, 2008, net of financing costs.
- $15,000,000 U.S. Series B Notes issued in 2003, bearing interest at 5.65% payable semi-annually, maturing December 8, 2008, net of financing costs.
- $20,000,000 Canadian Series C Notes issued in 2003, bearing interest at 7.23% payable semi-annually, maturing December 8, 2013, net of financing costs.
- $5,000,000 U.S. Series D Notes issued in 2005, bearing interest at 6.12% payable semi-annually, maturing December 8, 2013, net of financing costs. Clearwater has an additional $20,000,000 U.S. available to draw on this facility until December 31, 2007.

The notes are secured by mortgages and charges on all of the present and future property and assets of Clearwater and certain of its wholly owned subsidiaries, the interests of the Fund in Clearwater Seafoods Holdings Trust ("CSHT") and all the issued shares of CS ManPar Inc., the general partner of Clearwater. The security arrangement is guaranteed by an inter-creditor agreement with the banking syndicate members participating in the term credit facility disclosed in section (g) of this note.

(b) In June 2004, 4,081,633 Class C units were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are redeemable and retractable at a price of $12.25 per unit and are due December 31, 2010. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class C units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an interest rate of approximately 8.56% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.02%, and interest expense is added to the debt component of the units.

The Fund filed a normal course issuer bid by which it can acquire up to $5 million principal amount of convertible debentures in the 12-month period commencing August 2006. Any repurchase at the Fund level would be accompanied by a similar repurchase of Class C Partnership units by Clearwater. During the year ended December 31, 2006, $3 million of the Class C units were repurchased and cancelled with the proceeds used to repurchase and cancel an equivalent amount of convertible debentures. During the first quarter of 2007, an additional $1 million of Partnership units were repurchased and cancelled with proceeds used by the Fund to repurchase and cancel an equivalent amount of convertible debentures. During the third quarter of 2007, an additional $1 million of Partnership units were repurchased and cancelled with proceeds used by the Fund to repurchase and cancel an equivalent amount of convertible debentures. The principal outstanding as at September 29, 2007 was $45 million.

(c) In March 2007, 7,372,881 Class D units were issued concurrently with the issue by the Fund of $43.5 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit and are due on March 14, 2014. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt. Interest on the debt is calculated by applying an interest rate of approximately 8.89% to the outstanding debt component. The difference between actual cash payments, which will approximate 7.27%, and interest expense is added to the debt component of the units.

On April 10, 2007, an additional 769,831 Class D units were issued for proceeds of $4.5 million bringing the total amount to $48,042,000. Class D units were issued concurrently with the issue by the Fund of $4.5 million of Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit.

On June 2, 2007, $1,000 of the convertible debentures was converted into 169 Class A units at a price of $5.90 per unit resulting in a principal outstanding as at September 29, 2007 of $48,041,000.

(d) Senior unsecured bond in the amount of 2,460,000,000 ISK due September 27, 2010 at a fixed rate of 6.7% accrued annually and paid at maturity. Both the bond and the interest are adjusted for changes in the Icelandic CPI. Clearwater has entered into a number of swap agreements to economically fix the currency and CPI exposure associated with the debt. There are also interest rate swap agreements in place.

Clearwater has no intention to unwind the above contracts, however the agreements do not qualify for hedge accounting and therefore the gains and losses related to the fair value of these hedges are taken into income during the period.

The swap agreements have effectively resulted in the following:

- $25,000,000 Canadian dollar liability with an effective interest rate of 8.65%
- $5,000,000 U.S. dollar liability with an effective interest rate of 9.15%
- $4,707,502 U.S. dollar liability with an effective interest rate of 8.51%
- 3,000,000 Pound Sterling liability with an effective interest rate of 9.19%
- 2,500,000 Euro liability with an effective interest rate of 7.94%

Interest expense on the bond is recorded using the effective interest rate method that takes into account estimated future Icelandic inflation rates. Interest accrued is $5.6 million year-to date (December 2006 – $3.5 million). As previously noted interest exposure on this bond has been hedged and the cash payment on the related swaps was $3.0 million (December 2006 – $3.8 million).

	Sept. 29, 2007	Dec. 31, 2006
Principal	$ 39,054	$ 40,369
Accrued interest	5,581	3,470
Accrued CPI	5,492	2,956
	$ 50,127	$ 46,795

(e) Marine mortgage payable in the principal amount of CDN $4,032,000 (December 31, 2006 – $4,549,000), DKK 16,480,000 (December 31, 2006 – DKK 17,871,000) and YEN 277,826,000 (December 31, 2006 – 297,671,000) bearing interest at UNIBOR plus 1% payable semi-annually, 50% of which represents Clearwater's proportionate share. Principal payments are required annually with CDN $776,000, DKK 2,087,000 and YEN 29,767,000 due in 2008-2012, CDN $152,000 due in 2013, DKK 2,087,000 and YEN 29,767,000 due in 2013-2014, DKK 1,871,000 due in 2015, YEN 29,767,000 due in 2015-2016 and YEN 9,923,000 due in 2017, 50% of which represents Clearwater's proportionate share. The loan matures in 2017 and is secured by a first mortgage over the related vessel and covenants concerning certain fishing licences.

(f) Term loan, payable in 2091. In connection with this loan Clearwater makes a royalty payment of $275,000 per annum in lieu of interest.

(g) Clearwater also has a revolving term debt facility of $60 million from a syndicate of banks (which was not drawn upon at September 29, 2007 or December 31, 2006). The facility, which matures and is renewable in May 2009 is part of a master netting agreement that was in a cash position of $14 million as at September 29, 2007.

Clearwater's debt facilities contain various non-financial and financial covenants. They include, but are not limited to, leverage ratios and fixed charge ratios (which exclude most significant non-cash items and non-recurring items from earnings) that can limit distributions paid and the amount of allowable debt outstanding. In addition, payments related to these debt facilities take priority over payments on securities held in Clearwater by the Fund. Clearwater is in compliance with all debt covenants as at September 29, 2007.

Principal repayments required in each of the next five years are approximately as follows:

Year 1	1,123
Year 2	58,639
Year 3	934
Year 4	94,002
Year 5	2,068

6. PARTNERSHIP UNITS

Clearwater is authorized to issue an unlimited number of Class A limited partnership units, an unlimited number of Class B general partnership units, issuable in series, an unlimited number of Class C limited partnership units and an unlimited number of Class Y general partnership units, issuable in series. Each unit (other than the Class Y units) entitles the holder thereof to one vote, except in certain situations as described pursuant to the Limited Partnership Agreement governing Clearwater. Each issued Class B unit is accompanied by a Special Trust Unit issued by the Fund entitling the holder to receive notice of, to attend and to vote at meetings of unitholders of the Fund.

In June 2004, 4,081,633 Class C units in the amount of $50 million were issued concurrently with the issue by the Fund of $50 million of Convertible Debentures and are held by the Fund through CSHT. The Class C units are non-voting, redeemable and retractable at a price of $12.25 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures the distributions on the Class C units will be able to fund the ongoing interest payments on the Convertible Debentures. Class C Partnership units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to units has been classified as equity and the remaining portion of the units has been classified as debt.

In March 2007, 7,372,881 Class D units were issued concurrently with the issue by the Fund of $43.5 million of Convertible Debentures and are held by the Fund through CSHT. The overallotment was exercised on April 10, 2007 and 769,831 additional Class D units were issued concurrently with the issue by the Fund of $4.5 million additional Convertible Debentures and are held by the Fund through CSHT. The Class D units are redeemable and retractable at a price of $5.90 per unit. These units exist under an agreement whereby they will be converted, redeemed or retracted in a manner that corresponds to any conversion, redemption or repurchase of the Convertible Debentures of the Fund and in a manner that ensures that the distributions on the Class D units will be able to fund the ongoing interest payments on the Convertible Debentures. The Class D units are classified in accordance with their component parts: the value ascribed to the holders' option to convert to Class A units has been classified as equity and the remaining portion of the units has been classified as debt.

On January 24, 2007, the Fund received approval for a normal course issuer bid which will enable it to purchase, from time to time, up to 2.5 million outstanding trust units (the "Units"), which amount represents less than 10% of the public float. Any such purchases of Units would be made during the 12-month period commencing on January 24, 2007 and in accordance with the requirements of the TSX. The Units will be purchased by the Fund for cancellation and will be accompanied by a similar repurchase of units by Clearwater. On March 30, 2007, the Fund purchased and cancelled 50,100 Class A units. During the second quarter of 2007, the Fund purchased and cancelled 167,300 Class A units. During the third quarter of 2007, the Fund purchased and cancelled 240,500 Class A units. The total units purchased under this plan since January 24, 2007 is 457,900.

	Class A Units	Class B Units	$ (in 000's)
Balance December 31, 2006	29,407,626	23,381,217	$ 172,251
Cancellation of Class A Units	(457,900)	–	(2,682)
Issuance of Class A Units (note 5(c))	169	–	1
Subtotal	28,949,895	23,381,217	169,570
Equity component of Class C Units			828
Cancellation of $2 million Class C Units			(35)
Equity component of Class D Units			1,579
Balance September 29, 2007			$ 171,942

As at September 29, 2007 there were in total 52,331,112 units outstanding (52,788,843 – December 31, 2006).

Distributions paid for the three-month period ended September 29, 2007 were $7,875,000 (2006 – $7,918,000) and year-to-date were $23,692,000 (2006 – $7,918,000). All of the Partnership's distributions are discretionary.

As CFFI controlled Clearwater's seafood business both before and after the initial public offering, the acquisition of the seafood business by Clearwater was accounted for using the book values of the assets and liabilities as recorded by CFFI. The excess of the capital contributions of $267,728,000 over book values of the assets of $180,553,000, being $87,195,000, was debited to share capital.

7. OTHER EXPENSE (INCOME)

(000's)	**13 weeks ended Sept 29 2007**	13 weeks ended Sept 30, 2006	**39 weeks ended Sept 29, 2007**	39 weeks ended Sept 30, 2006
Investment income	**$ 15**	$ (214)	**$ (1,087)**	$ (991)
Export rebate	**573**	(413)	**103**	(1,271)
Quota rental and royalties	**–**	(767)	**(63)**	(2,082)
Other (income)/expense	**760**	331	**301**	(416)
	$ 1,348	$ (1,063)	**$ (746)**	$ (4,760)

8. CUMULATIVE FOREIGN CURRENCY TRANSLATION ACCOUNT

The reduction in the foreign currency translation account is a non-cash adjustment, which relates to the reduction of Clearwater's net investment in its 80% owned subsidiary in Argentina. The cumulative translation account largely arose because of the significant devaluation of the peso in Argentina versus the Canadian dollar in 2001. It is Clearwater's desire to continue to manage its exposure to Argentine pesos by repatriating its capital as quickly as possible while not impairing local operations. Dividends declared have resulted in a reduction in Clearwater's net investment in that subsidiary and accordingly, a proportionate share of the cumulative translation account has been recognized in earnings. Clearwater anticipates that continued payment of dividends from the subsidiary in Argentina may result in additional reduction of the cumulative translation account in the future. The cumulative translation account is included in the accumulated other comprehensive income section of the balance sheet and the remaining balance at September 29, 2007 is $11,492,000 (December 31, 2006 – $12,321,000).

9. RELATED PARTY TRANSACTIONS

Clearwater had the following transactions and balances with CFFI, the controlling unitholder of Clearwater, during the third quarter and year-to-date periods of 2007 and 2006.

(000's)	**13 weeks ended Sept 29 2007**	13 weeks ended Sept 30, 2006	**39 weeks ended Sept 29, 2007**	39 weeks ended Sept 30, 2006
Transactions				
Charged by CFFI for rent and other services, net of rent and IT services charged to CFFI	**(8)**	(21)	**188**	122
			Sept. 29, 2007	Dec. 31, 2006
Balances				
Distribution and other payable to CFFI			**1,126**	665

In addition Clearwater was charged approximately $21,800 for vehicle leases in the third quarter of 2007 (2006 – $30,700) and year-to-date $82,800 (2006 – $105,800) and approximately $61,100 for other services in the third quarter (2006 – $36,000) and $97,500 year-to-date (2006 – $27,900) by companies controlled by a relative of an officer of Clearwater.

These transactions are in the normal course of operations and have been recorded at the exchange amount.

10. SEGMENTED INFORMATION

(a) General information

Clearwater operates primarily within one industry that being the harvesting, procurement, processing and sale of seafood with no separately reportable business segments. The products are sold primarily to customers in the United States, Europe, Asia, and Canada.

(b) Net sales to customers by product category

(000's)	**13 weeks ended Sept 29 2007**	13 weeks ended Sept 30, 2006	**39 weeks ended Sept 29, 2007**	39 weeks ended Sept 30, 2006
Scallops	**$ 29,098**	$ 29,211	**$ 76,015**	$ 83,582
Lobster	**19,400**	19,185	**54,708**	53,795
Clams	**15,491**	16,212	**36,484**	45,966
Coldwater shrimp	**13,430**	10,484	**36,093**	26,046
Crab	**10,168**	1,405	**14,803**	5,678
Groundfish and other	**2,968**	2,066	**7,004**	10,787
Hedging program	**–**	1,376	**(146)**	5,746
	$ 90,555	$ 79,939	**$ 224,961**	$ 231,600

(c) Geographic information

(000's)	13 weeks ended Sept 29 2007	13 weeks ended Sept 30, 2006	39 weeks ended Sept 29, 2007	39 weeks ended Sept 30, 2006
Sales				
United States	$ 32,631	$ 22,527	$ 79,951	$ 62,651
Europe				
France	10,339	14,401	22,224	49,326
Denmark	4,745	2,191	14,503	9,024
UK	6,371	6,473	15,327	16,626
Other	6,101	4,436	18,224	11,532
Asia				
Japan	9,068	9,934	20,331	22,701
Other	6,456	7,167	17,911	20,800
Canada	14,442	11,077	34,624	32,111
Other, including hedging program	402	1,733	1,866	6,829
	$ 90,555	$ 79,939	$ 224,961	$ 231,600

	Sept. 29, 2007	Dec. 31, 2006
Property, plant, equipment, licences and goodwill		
Canada	$ 203,093	$ 251,282
Argentina	17,500	18,024
Other	870	602
	$ 221,463	$ 269,908

11. SUBSEQUENT EVENTS

(a) The Fund announced on November 13, 2007 that the Trustees have initiated a process for identifying and considering strategic alternatives available to maximize unit holder value. The strategic review is in response to Clearwater's weak financial performance over the last 9 months, the ongoing challenges facing the Fund in maintaining distributions and the Canadian government's legislation to tax income trusts. The Trustees anticipate retaining a financial advisor in due course to assist it in this process. While a range of alternatives may be considered, there can be no assurance that the review process will result in a decision regarding any transaction or that it will be completed in any specific time frame. In addition, this process may result in a transaction that implies a different value for The Fund's investment in Clearwater.

(b) Clearwater entered into an agreement to convert one of its existing shrimp fishing vessels into a clam fishing vessel at an approximate cost to convert the vessel of $15 million.

Further information can be found in the disclosure documents filed by Clearwater Seafoods Income Fund with the securities regulatory authorities available at www.sedar.com or at its website (www.clearwater.ca).

For further information, please contact: Robert Wight, Chief Financial Officer, Clearwater, at (902) 457-2369, or Tyrone Cotie, Director of Corporate Finance and Investor Relations, Clearwater, at (902) 457-8181.

QUARTERLY AND UNIT INFORMATION

The financial information disclosed below was derived from the unaudited interim earnings statements of Clearwater for periods from January 1, 2005 to September 29, 2007. Please note, only Q1, Q2 and Q3 2006 have been restated for the change in refit policy effective January 1, 2007.

Clearwater Seafoods Limited Partnership ($000's except per unit amounts)

	2007			2006				2005			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	**90,555**	**75,311**	**59,095**	84,136	79,939	81,312	70,349	84,220	93,548	69,712	67,359
Net earnings (loss)	**9,323**	**12,120**	**3,668**	(19,130)	8,507	9,787	1,634	5,888	12,136	1,371	1,645
Distributable cash	**486**	**594**	**(5,901)**	7,237	10,362	16,459	8,294	7,970	11,694	612	6,929
Distributions	**7,875**	**7,901**	**7,918**	7,919	7,918	-	-	-	9,123	9,121	9,123
Per unit data											
Basic and diluted											
net earnings (loss)	**0.18**	**0.23**	**0.07**	(0.36)	0.16	0.19	0.03	0.11	0.23	0.03	0.03

Trading information, Clearwater Seafoods Income Fund, symbol CLR.UN, IPO July 30, 2002

Trading price range of units (board lots)

	2007			2006				2005			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
High	**4.99**	**5.25**	**5.15**	5.36	5.68	4.60	4.25	6.10	6.43	8.29	9.40
Low	**4.41**	**4.71**	**4.70**	4.56	4.20	3.93	3.35	2.25	5.65	6.21	7.92
Close	**4.60**	**4.79**	**4.82**	4.97	5.33	4.32	4.05	3.75	6.02	6.53	8.20
Tranding volumes (000's)											
Total	**1,770**	**8,197**	**6,958**	2,895	2,794	4,051	4,311	11,243	11,641	4,338	7,142
Average daily	**28**	**130**	**109**	47	45	64	67	181	185	68	113
Units outstanding											
at end of quarter											
Units	**28,949,895**	**29,190,395**	**29,357,526**	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626	29,407,626
Special	**23,381,217**	**23,381,217**	**23,381,217**	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217	23,381,217
Total	**52,331,112**	**52,571,612**	**52,738,743**	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843	52,788,843

INVESTOR RELATIONS

Tyrone D. Cotie, C.A.
Director of Corporate Finance
and Investor Relations
(902) 457-8181
tcotie@clearwater.ca

AUDITORS

KPMG LLP
Halifax, Nova Scotia

UNITS LISTED

Toronto Stock Exchange
Unit symbol: CLR.UN
Convertible Debenture symbols:
CLR.DB and CLR.DB.A

TRANSFER AGENT

Computershare Investor Services Inc.

757 Bedford Highway • Bedford, Nova Scotia
Canada B4A 3Z7 • Telephone (902) 443-0550
Fax (902) 443-7797 • www.clearwater.ca

Dedicated to sustainable seafood excellence

Clearwater remains dedicated to the sustainability of our resources. In 2006, we were particularly proud when our Argentine subsidiary Glaciar Pesquera won a Corporate Social Responsibility Award from the Chamber of Commerce and Industry of France in Argentina and a Corporate Citizenship Award from the American Chamber of Commerce in Argentina – both for the second year in a row. It also won a Social Entrepreneur Award in the health category, awarded by the Social Ecumenical Forum, an award it also won in 2005 for social promotion.

In December 2006, Glaciar Pesquera celebrated the recognition of their scallop fishery as being the first in the world to receive the prestigious Marine Stewardship Council (MSC) certification. Products from this fishery will now be differentiated in the marketplace by the prominent blue eco-label that has come to represent sustainability of fisheries. MSC certification is evidence of Clearwater's dedication to environmentally sound and responsible fishing practices. Major buyers such as Marks & Spencer, Wal-Mart, Costco and Wholefoods value the MSC Certification. These companies strive to partner with companies displaying strong corporate stewardship and ethical business practices.